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Supreme Court, U.S.
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No. 10- 10-499

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IN THE

Supreme Court of the United States

LANDMARK SCREENS, LLC,

Petitioner,

v.

MORGAN, LEWIS & BOCKIUS LLP AND THOMAS D. KOHLER,

Respondents.

ON PETITION FOR A WRIT OF CERTIORARI TO THE CALIFORNIA COURT OF APPEAL, SIXTH APPELLATE DISTRICT

PETITION FOR A WRIT OF CERTIORARI

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QUESTION PRESENTED

Whether a legal malpractice claim against a patent lawyer that involves no actual patent and will have no impact on patent rights arises under an Act of Congress relating to patents so as to invoke the exclusive jurisdiction of the federal district courts under 28 U.S.C. § 1338.

PARTIES TO THE PROCEEDINGS BELOW

A. Petitioner, Plaintiff below, is Landmark Screens, LLC ("Landmark").

B. Respondents, and Defendants below, are Morgan, Lewis & Bockius LLP and Thomas D. Kohler.

RULE 29.6 STATEMENT

Petitioner Landmark makes this Disclosure of Corporate Affiliations and Corporate Interest pursuant to Rule 29.6 of the Supreme Court Rules, and would respectfully show the Court as follows:

Landmark Screens, LLC has no parent corporation and there are no publicly held corporations that own 10% or more of Landmark's stock.

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OPINIONS BELOW

The order of the California Supreme Court denying Landmark's petition for review en banc (App. 29a) is unreported but may be located at *Landmark Screens, LLC v. Morgan, Lewis & Bockius, LLP.*, No. S182516, 2010 Cal. LEXIS 6858 (Cal., July 14, 2010). The order of the Court of Appeal of California, Sixth Appellate District denying Landmark's petition for rehearing is unreported but may be located at *Landmark Screens, LLC v. Morgan, Lewis & Bockius, LLP.*, No. H033285, 2010 Cal. App. LEXIS 607 (Cal. App. 6th Dist., Apr. 28, 2010). The opinion of the Court of Appeal of California, Sixth Appellate District (App. 1a-24a) is reported at *Landmark Screens, LLC v. Morgan, Lewis & Bockius, LLP.*, 183 Cal. App. 4th 238, 107 Cal. Rptr. 3d 373 (Cal. App. 6th Dist. 2010).

STATEMENT OF JURISDICTION

The judgment of the Court of Appeal of California, Sixth Appellate District was entered on March 29, 2010. (App. 1a-24a). On April 28, 2010 the Court of Appeal denied a petition for rehearing. A timely petition for review was denied by the California Supreme Court en banc on July 14, 2010. (App. 29a). The Jurisdiction of this Court is invoked under 28 U.S.C. § 1257(a).

STATUTORY PROVISIONS INVOLVED

28 U.S.C. § 1338 establishes the patent, trademark and copyright jurisdiction of the district courts as follows:

> (a) The district courts shall have original jurisdiction of any civil action arising under any Act of Congress relating to patents, plant variety protection, copyrights and trademarks. Such jurisdiction shall be exclusive of the courts of the states in patent, plant variety protection and copyright cases.
>
> (b) The district courts shall have original jurisdiction of any civil action asserting a claim of unfair competition when joined with a substantial and related claim under the copyright, patent, plant variety protection or trademark laws.
>
> (c) Subsections (a) and (b) apply to exclusive rights in mask works under chapter 9 of title 17, and to exclusive rights in designs under chapter 13 of title 17, to the same extent as such subsections apply to copyrights.

28 U.S.C. § 1338.

STATEMENT OF THE CASE

A. Statement of Facts

Petitioner Landmark developed a pioneering electronic billboard that because of its larger size, higher-quality images, greater brilliance, and more efficient content management promised to revolutionize the $5.5 billion outdoor advertising industry. Landmark hired a patent attorney named Thomas D. Kohler to pursue patent rights for its new invention. At that time, Kohler was a partner at Pennie & Edmonds LLP.

Kohler filed a patent application for the new technology on January 9, 2002. In processing the application, the United States Patent and Trademark Office (the "PTO") informed Kohler that the application contained multiple inventions and directed Landmark to pare its application to a single "invention." Kohler did so, and a patent eventually issued on October 28, 2003, (the "2003 Patent") that covered a portion of the new technology used to create Landmark's electronic billboards. The 2003 Patent is not at issue in this lawsuit.

This lawsuit involves Kohler's failure to protect the Landmark technology that was included in the original filing but subsequently pared from the application (the "Unpatented Technology"). To protect the Unpatented Technology, disclosed to the public as a result of the original patent application, Kohler filed a "divisional" patent application, claiming patent protection over the Unpatented Technology from the same filing date as the original patent. But Kohler made mistakes in submitting the divisional patent application.

In June 2004, the PTO notified Kohler, who by this time had left Pennie & Edmonds and joined respondents Morgan, Lewis, & Bockius LLP, that the divisional patent application was incomplete. Specifically, Kohler omitted copies of required drawings and specifications of the invention, failed to incorporate by reference earlier-filed materials, and failed to use the "postcard receipt" method to ensure prompt notification of missing materials.

Kohler had numerous options available at that point to save the inventions contained in the divisional application. For instance, he could have immediately

resubmitted the application with the proper materials or he could have submitted a new patent application to the PTO. These steps would have allowed Landmark to obtain a pending patent application, retaining valuable licensing rights while its patent application was pending, regardless of whether any patent ever issued.

But Landmark did not know there was a problem with the divisional application because Kohler did not tell Landmark. Nor did he take reasonable steps to reclaim the earlier filing date. Instead, Kohler kept the rejection to himself and his law firm and threw himself on the mercy of the PTO, begging for an exception for "an extraordinary situation, where justice requires" under 37 C.F.R. part 1.183. The PTO rejected Kohler's plea, finding that the omissions resulted from a "failure to exercise due care, or lack of knowledge of, or failure to properly apply, the patent statutes or rules of practice." Accordingly, the PTO assigned a filing date of August 23, 2004, for the still Unpatented Technology.

By the time Landmark learned of the errors, it was too late to revive the divisional application. Landmark lost valuable patent rights, including license rights that it would have had during the lengthy divisional application process. These license rights exist separate and apart from the question of whether the invention was patentable.

B. Proceedings Below.

Landmark filed suit against Kohler and his law firms in November 2005, alleging legal malpractice, negligence, and breach of fiduciary duty. The suit was filed in California state court. More than two years later,

defendants filed a demurrer, arguing for the first time that California state courts lack subject matter jurisdiction over patent attorney malpractice claims under 28 U.S.C. § 1338(a), which grants the federal courts exclusive jurisdiction over causes of action "arising under" the patent laws. The superior court sustained defendants' demurrer without leave to amend. (App. 27a-28a). The court concluded that Landmark's right to relief "necessarily would engage the superior court in a substantial question of federal law concerning whether the PTO would have granted . . . patent rights[.]" (App. 27a). Its decision was based on two opinions issued by the United States Court of Appeals for the Federal Circuit after Landmark filed its malpractice action: *Air Measurement Technologies, Inc. v. Akin Gump Strauss Hauer & Feld, LLP*, 504 F.3d 1262 (Fed. Cir. 2007) (*Air Measurement*), and *Immunocept, LLC v. Fullbright & Jaworski, LLP*, 504 F.3d 1281 (Fed. Cir. 2007) (*Immunocept*). (App. 26a).

The two year delay between Landmark's filing of the suit and the assertion of a jurisdictional defect had dire consequences for Landmark. California has a one year statute of limitations for legal malpractice claims and no equitable tolling. Thus, Landmark was deprived of the opportunity to refile its malpractice claims in federal district court.[1] *See Landmark Screens, LLC v.*

1. Though Landmark's malpractice actions were dismissed by the district court, a single fraudulent concealment claim—due to its longer limitations period—survived. See *Landmark Screens, LLC v. Morgan, Lewis, & Bockius, LLP*, No. C 08-2581 JF (HRL), 2009 U.S. Dist. LEXIS 6672 at *14-28 (N.D. Cal., Jan. 20, 2009). That suit remains pending. Subsequent to dismissal of the California case, Landmark secured a reissue patent in late 2009. Though that patent is at issue in the (Cont'd)

Morgan, Lewis & Bockius LLP, No. C 08-2581 JF (HRL), 2008 U.S. Dist. LEXIS 87646 at *6-18 (N.D. Cal. Oct. 2, 2008); *Landmark Screens, LLC v. Morgan, Lewis, & Bockius, LLP*, No. C 08-2581 JF (HRL), 2009 U.S. Dist. LEXIS 6672 at *7-14 (N.D. Cal., Jan. 20, 2009).

The Court of Appeal affirmed the trial court's order granting the demurrer, also deciding that the outcome was dictated by *Air Measurement Technologies* and *Immunocept*. (App. at 10a, 24a). Landmark filed a Petition for Rehearing with the Court of Appeal, which was denied.

Landmark then filed a Petition for Review in the Supreme Court of California, which was considered en banc but ultimately denied on July 14, 2010. (App. 29a).

REASONS THE PETITION SHOULD BE GRANTED

Citing to the Federal Circuit's decisions in *Air Measurement* and *Immunocept*, the California court concluded Landmark's malpractice claims against Kohler and his law firm "should be adjudicated in federal court because of the substantial patent questions presented in the elements of causation and damages." (App. 22a). It reached this conclusion even though the underlying malpractice claims do not involve an issued

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(Cont'd)

fraudulent concealment proceedings before the federal trial court, it was never at issue in the California trial court. *See Landmark Screens, LLC v. Morgan, Lewis & Bockius LLP*, 5:08-cv-02581-JF/HRL, 2010 U.S. Dist. LEXIS 95735 (N.D. Cal., Sep. 14, 2010).

patent and do not require the adjudication of patent rights. Like the Federal Circuit cases upon which it relied, the California court made no assessment of the impact of its jurisdictional finding on the "balance of federal and state judicial responsibilities," even though such an assessment is required under this Court's precedent in *Grable & Sons Metal Products Inc. v. Darue Engineering & Manufacturing*, 545 U.S. 308, 314 (2005). Rather, the *Landmark* court rubber-stamped the Federal Circuit's broad incursion into traditional state-law malpractice claims against attorneys representing clients in patent-related matters.

Many state and federal decisions conflict with California's *Landmark* decision. For instance, in a case involving strikingly similar facts, the Nebraska Supreme Court reached the opposite result of *Landmark*, finding state court jurisdiction where *Landmark* found federal. Other states are grappling with the issue in cases pending before the states' highest courts. And further adding to the confusion, federal district courts have disagreed with the Federal Circuit's decisions in *Air Measurement* and *Immunocept*.

The uncertainty over which court has jurisdiction over the traditionally state-regulated question of the standard of care of attorneys practicing within its boundaries has severe consequences for clients seeking redress against their lawyer. An aggrieved client cannot be sure where to file its malpractice claim but could lose its rights by filing in the wrong court. This case is the prime example. Landmark filed its malpractice claim in California state court. Two years later, after the Federal Circuit issued *Air Measurement* and *Immunocept*,

Kohler and his law firm moved successfully to dismiss the case, claiming exclusive jurisdiction in the federal district courts. Once dismissed, Landmark was unable to re-file the malpractice claim in Federal court because the claims were then time-barred under the California statute of limitations.

Confusion over where to file suit, however, is not the only problem an aggrieved client faces. Clients and lawyers are also unable to decipher what standards govern attorney conduct. If the *Landmark*, *Immunocept*, and *Air Measurement* cases control, the Federal Circuit could be the final word on the legal standard of care for attorneys representing clients in patent-related matters.

This Court is thus faced with competing state and federal interests, being played out in competing state and federal court decisions. Yet, this Court will have few opportunities to address the problem. Indeed, in most instances, the conflicting decisions arise in the context of an unappealable removal or remand order. Faced with the dismissal of its malpractice claims with no hope of re-filing in the federal court, Landmark presents a unique opportunity for this Court to address an important and recurring problem.

ARGUMENT

I. Exclusive Federal Jurisdiction Should Not Extend to Attorney Malpractice Cases That Do Not Adjudicate Actual Patent Rights.

This Court has defined the standards for determining when a case arises under "an Act of Congress relating to" patents so as to invoke the federal court's exclusive jurisdiction under 28 U.S.C. § 1338. In *Christianson v. Colt Industries Operating Corporation*, this Court held that exclusive federal jurisdiction exists under Section 1338 only when a "well-pleaded complaint establishes either that federal patent law creates the cause of action or that the plaintiff's right to relief necessarily depends on resolution of a substantial question of federal patent law, in that patent law is a necessary element of one of the well-pleaded claims." *Id.* at 808-09.

Subsequently, in *Grable & Sons Metal Products Inc. v. Darue Engineering & Manufacturing* the Court clarified that there is no "'single, precise, all-embracing' test for jurisdiction over federal issues embedded in state-law claims." 545 U.S. 308, 314 (2005) (quoting *Christianson* 486 U. S. at 821 (STEVENS, J., concurring)). The Court held that "the presence of a disputed federal issue and the ostensible importance of a federal forum are never necessarily dispositive; there must always be an assessment of any disruptive portent in exercising federal jurisdiction." *Id.* That assessment requires a court to determine whether "a federal forum may entertain [the disputed federal issue] without disturbing any congressionally approved balance of federal and state judicial responsibilities." *Id.*

Landmark and the Federal Circuit cases upon which it relies, ignore this standard, and find exclusive federal jurisdiction where no "substantial question of federal patent law exists." This decision is in direct conflict with the decision of another state supreme court and a litany of state and federal lower courts. It likewise ignores this Court's mandate in *Grable* to balance the state and federal interests in assessing exclusive jurisdiction. As a result, the *Landmark* court not only reached the wrong conclusion, but also created significant confusion in the legal malpractice arena and endorsed the Federal Circuit's extension of federal patent jurisdiction beyond its intended limits.

A. Landmark's malpractice case against Kohler does not require resolution of a substantial question of federal patent law.

In *Landmark*, the California court found that Landmark's causation and damage theories would require resolution of a substantial question of federal patent law. (App. 22a). It reached this conclusion in reliance on the Federal Circuit's reasoning in *Air Measurement* and *Immunocept*. In *Air Measurement* and *Immunocept*, the Federal Circuit reasoned that because a plaintiff must show it would have obtained a better result but for the attorney's malpractice, virtually all malpractice suits involving the practice of patent law are subject to federal jurisdiction.[2] *See Air Measurement*,

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2. Since deciding *Air Measurement* and *Immunocept*, the Federal Circuit has reached the question of whether it had exclusive jurisdiction over a malpractice or fiduciary duty case involving a patent lawyer three times. It found exclusive federal jurisdiction in all three cases. *Carter v. ALK Holdings, Inc.*, 605 F.3d 1319, 1323-25 (Fed. Cir. 2010); *Davis v. Brouse* (Cont'd)

504 F.3d at 1269; *Immunocept*, 504 F.3d at 1284-86. This reasoning, which was adopted wholesale by the California court in *Landmark*, extends the federal court's exclusive jurisdiction over patent law well beyond its intended reach.

Congress enacted Section 1338 to provide for a uniform, consistent body of substantive patent law in a highly specialized and complex field of law. *See* Federal Courts Improvement Act of 1982, Pub. L. 97-164, 96 Stat. 25 (Apr. 2, 1982). As a general rule, in malpractice actions against a patent lawyer, the hypothetical analysis of whether the outcomes would have been different had the lawyer acted differently has no direct impact on patent law. There is no binding adjudication of the scope, validity, or enforceability of any party's patent rights. Only the parties' tort claims are affected and any resolution of patent issues are purely hypothetical. *See Aetna Life Ins. Co. v. Haworth*, 300 U.S. 227, 240-241 (1937) (distinguishing between "concrete" and "hypothetical" controversies for the purpose of the case or controversy requirement); *see also GAF Bldg. Materials Corp. v. Elk Corp.*, 90 F.3d 479, 483 (Fed.Cir. 1996) (holding that "[i]f there is no issued patent, no controversy under the patent laws exists"). Further, any hypothetical analysis of patent law that a state court undertakes is not precedential in any future federal patent case. *See, e.g., Genelink Biosciences, Inc. v.*

(Cont'd)

McDowell, L.P.A., 596 F.3d 1355, 1359-62 (Fed. Cir. 2010), *cert. denied*, No. 08-1413, 2010 U.S. LEXIS 6588 (U.S. Oct. 4, 2010); *Touchcom, Inc. v. Bereskin & Parr*, 574 F.3d 1403, 1412-13 (Fed. Cir. 2009).

Colby, No. 09-5573(NLH)(AMD), 2010 U.S. Dist. LEXIS 66177 at 19-22 (D. N.J. July 1, 2010) (noting that state-law contemplation of a "hypothetical situation" involving patentability in a legal malpractice claim will have "no precedential effect[.]"). Thus, generally, attorney malpractice claims, even in the context of patent rights, should not be subject to exclusive federal jurisdiction under Section 1338.

The over-reaching grasp in expanding exclusive federal jurisdiction over attorney malpractice claims is particularly evident in the context of Landmark's claims against Kohler. In this case, Landmark's malpractice claims against Kohler and the law firm do not require the adjudication of any patent rights, even in a hypothetical context. In contrast to *Immunocept* and *Air Measurement*, there is not even a hypothetical dispute in this case over the validity, enforceability, or scope of issued patents. Rather, Landmark seeks to hold Kohler and his firm accountable for the loss of patent and license rights through Kohler's *failure to patent* the Unpatented Technology. Thus, under any reasonable analysis, Landmark's claims against Kohler and his firm do not invoke a substantial question of federal patent law. *See GAF Bldg. Materials*, 90 F.3d at 483 ("If there is no issued patent, no controversy under the patent laws exists."); *see* Seymore, *The Competency of State Courts to Adjudicate Patent-Based Malpractice Claims*, 34 AIPLA Quarterly J. 443, 471-72 & nn. 107-109 (noting that federal courts distinguish patent applications from issued patents and that there is no justiciable patent case or controversy until a patent formally issues).

B. *Landmark*, *Air Measurement* and *Immunocept* mark a sea change in the law that conflicts with state and federal court standards.

The expansion of exclusive federal jurisdiction to include attorney malpractice claims involving patent lawyers is a relatively new movement that conflicts directly with existing authorities. *See, e.g., Singh v. Duane Morris LLP*, 538 F.3d 334, 339 (5th Cir. 2008) (rejecting federal jurisdiction over an attorney malpractice claim involving trademark law and noting that "[l]egal malpractice has traditionally been the domain of state law, and federal law rarely interferes with the power of state authorities to regulate the practice of law"); *see also* Mallen & Smith, *Legal Malpractice* § 24:24, at 664-665 (2009 ed.) ("Until 2007, the courts reviewing the issue held that a lawsuit for legal malpractice, concerning errors in patent law or procedure, invoked a state remedy, although issues of federal law may be central to the analysis and resolution of the claim.").

Notably, the Nebraska Supreme Court, faced with nearly identical facts to those presented in this case, decided both before and after *Immunocept* and *Air Measurement* that the state courts have jurisdiction over patent malpractice claims. In *New Tek Mfg., Inc. v. Beehner (New Tek I)*, the Nebraska Supreme Court rejected a claim that the Nebraska state courts lacked subject matter jurisdiction to hear a malpractice case that required "consideration of the hypothetical infringement of [a] patent." 702 N.W.2d 336, 346 (Neb. 2005). The plaintiff in *New Tek I* argued that its

attorney's malpractice in failing to pay patent maintenance fees had resulted in a temporary loss of patent protection and allowed competitors to infringe on New Tek's patent. *Id.* at 342. On appeal from the trial court's grant of summary judgment on the merits, the defendants argued that the trial court lacked jurisdiction because the action was subject to exclusive federal jurisdiction under § 1338. *Id.* at 344-345. While *New Tek I* acknowledged that the causation requirement of malpractice would require the state court to determine whether, but for the negligence of New Tek's attorney, a hypothetical suit for infringement would have succeeded, the court rejected the argument that this conferred federal jurisdiction under § 1338. *Id.* at 345-346. The *New Tek I* court held that the "hypothetical action" related to infringement was only incidentally involved in the state-law malpractice action and that the "federal government has no interest in hypothetical determinations regarding an unenforceable patent." *Id.* at 346.

On remand the trial court again granted summary judgment to the defendants. When the case made its way back to the Nebraska Supreme Court, subsequent to the Federal Circuit's decisions in *Air Measurement* and *Immunocept*, the court requested supplemental briefing on subject matter jurisdiction. *New Tek Mfg., Inc. v. Beehner (New Tek II)*, 751 NW 2d 135, 144 (Neb. 2008. The court then "reiterate[d its] determination in *New Tek I*, that this professional malpractice case arises entirely under state law[.]" *Id.*

In this case, the California court recognized that, in following *Air Measurement* and *Immunocept*, its decision was in direct conflict with both the logic and

the holding of *New Tek I* and *New Tek II*. (App, at. 19a-20a). The California court held that the requirement to establish success on a hypothetical infringement action presents "substantial patent law questions that the federal court is better equipped to address" and that "it was improper for the Nebraska court to intrude on federal jurisdiction[.]" *Id.*

Other courts, including the United States Court of Appeals for the Fifth Circuit, have also disagreed with the Federal Circuit's holdings in *Immunocept* and *Air Measurement*. In *Singh v. Duane Morris, LLP*, for example, the Fifth Circuit held in the context of a trademark case that Texas' "suit within a suit" requirement for proving causation does not automatically confer section 1338(a) subject matter jurisdiction in attorney malpractice cases. 538 F.3d 334, 337 (5th Cir. 2008).

Although the Fifth Circuit noted in *Singh* that there may be other policy considerations that cause a different result in patent cases, the opinion's reasoning renders such a distinction unlikely. Several federal district court decisions reinforce the rejection of *Air Measurement* and *Immunocept* in favor of the application of a *Singh* analysis to patent cases. *See, e.g., Roof Tech. Servs. v. Hill*, 679 F. Supp. 2d 749, 752-54 (N.D. Tex. 2010) (finding *Immunocept* and *Air Measurement* inapplicable and dismissing for lack of federal jurisdiction complaint asserting patent prosecution malpractice claims); *Warrior Sports, Inc. v. Dickinson Wright, P.L.L.C.*, 632 F. Supp. 2d 694; 698-700 (E.D. Mich. 2009) (finding *Immunocept* and *Air Measurement* inapplicable and dismissing for lack of federal jurisdiction complaint asserting patent prosecution and litigation related

malpractice claims); *see also Altavion, Inc. v. Konica-Minolta Systems Lab., Inc.*, No. C-07-06358 MHP, 2008 WL 2020593, at *16-17, 25 (N.D. Cal. May 8, 2008) (granting remand to state court in a case involving allegedly fraudulent filing of patent applications with the PTO); *Adamasu v. Gifford, Krass, Groh, Sprinkle, Anderson & Citkowski, P.C.*, No. 05-70389, 2005 U.S. Dist. LEXIS 37769 at *9-11 (E.D. Mich. July 25, 2005) (finding no federal jurisdiction over malpractice claim stemming from patent practice); *IMT, Inc. v. Haynes and Boone, LLP*, No. 3:98-CV-2634-D, 1999 U.S. Dist. LEXIS 1083 at *6-11 (N.D. Tex. Feb. 7, 1999) (finding no federal jurisdiction over malpractice claim stemming from alleged lost licensing opportunities). These cases offer a well-reasoned basis to reject *Landmark*, *Immunocept*, and *Air Measurement*.

This case in particular offers a unique opportunity for this Court to address a conflict between state courts of last resort and between state courts of last resort and the Federal Circuit that otherwise might never be resolved. Because federal consideration of issues of jurisdiction in a legal malpractice case tend to arise under removal jurisdiction,[3] it is unlikely that a circuit court other than the Federal Circuit will address the issue presented by this case. Indeed, if a district court upholds jurisdiction under 28 U.S.C. § 1338, any appeal of that decision is to the Federal Circuit. 28 U.S.C. § 1295(a) (exclusive jurisdiction is vested in the Federal

3. *See* Michael Ena, *Jurisdictional Issues in the Adjudication of Patent Law Malpractice Cases in Light of Recent Federal Circuit Decisions*, 19 Fordham Intell. Prop. Media & Ent. L.F. 219, 255-56 (advocating the benefits of federal court for defendants in legal malpractice cases related to patent law).

Circuit over appeals from any district court "if the jurisdiction of the court was based in whole or in part on 28 U.S.C. § 1338."). If a district court, on the other hand, denies jurisdiction after a removal and remand to a state court, the decision is not reviewable by any circuit. *See Kircher v. Putnam Funds Trust*, 547 U.S. 633, 640-42 (2006) (holding that 28 U.S.C. § 1447(d) bars review of orders remanding for lack of subject-matter jurisdiction). Thus, when a district court reviews patent jurisdiction in a legal malpractice case under removal, no circuit conflict will develop.[4] If the court were to wait for a clear circuit conflict, the issue could evade review indefinitely. Because this case provides not only a direct conflict between state courts of last resort, but also the opportunity to resolve a conflict between a state courts of last resort and the Federal Circuit that might otherwise escape review, this case is ripe for review by this Court.

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4. Indeed, federal district courts have acted under the assumption that the Federal Circuit's decisions on §1338 jurisdiction of malpractice claims related to patent law are controlling because no other circuit will review the issue. *See Genelink Biosciences, Inc. v. Colby*, No. 09-5573(NLH)(AMD), 2010 U.S. Dist. LEXIS 66177 at *9-11 n.8 (D. N.J. July 1, 2010) ("[W]e can not envision a procedural scenario in which the precise issue now before this Court would be heard by the Third Circuit or indeed any circuit court other than the Federal Circuit. . . . We proceed, therefore, under the assumption that [Federal Circuit] decisions have precedential value."); *see also Tomar Elecs., Inc. v. Watkins*, No. 2:09-cv-00170, 2009 U.S. Dist. LEXIS 95573 at *3-4 (D. Ariz. July 23, 2009)("[S]ince the Federal Circuit is the only circuit court that might have appellate jurisdiction over this case, Federal Circuit precedent must control.").

II. The *Landmark* Court Fails to Consider the Impact of Its Decision on the Balance Between Federal and State Judicial Responsibility.

In direct conflict with this Court's mandate in *Grable*, the *Landmark* decision fails to take into account the impact of its decision on the balance between federal and state judicial responsibility. Had it considered this important factor, the California court could not have found that the federal court had exclusive jurisdiction over Landmark's malpractice claims against Kohler.

Specifically, in *Landmark*, the California court failed to undertake any independent assessment of the balancing of federal and state interests required under *Grable*. In addressing *Grable*, the court cited solely[5] to *Air Measurement* for the proposition that "[t]here is a strong federal interest in the adjudication of patent infringement claims in federal court because patents are issued by a federal agency." (App. 11a (citing *Air Measurement*, 504 F.3d at 1272)). This conclusion conflicts with *Grable's* holding that the "importance of a federal forum [is] never necessarily dispositive; there must always be an assessment of any disruptive portent" in finding federal jurisdiction. 525 U.S. at 314.

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5. Without referencing *Grable*, the *Landmark* court concluded that demonstration of infringement as an element of malpractice presents "substantial patent law questions that the federal court is better equipped to address." (App. at 19a). This can hardly qualify as an analysis of the proper *balance* between federal and state judicial responsibilities, because it does not address any interests or responsibilities on the part of the State of California.

Having undertaken no independent analysis of the *Grable* standard, the California court necessarily rested its decision entirely on *Air Measurement* when it disagreed with Landmark's contention that "ceding jurisdiction to the federal court would upset the balance between federal and state judicial responsibilities." (App. at 22a). But, like *Landmark*, the Federal Circuit's decision in *Air Measurement* failed to address the balance between federal and state judicial responsibilities.

In *Air Measurement*, the Federal Circuit concluded that because the causation element of a state-law malpractice claim based on errors in patent prosecution requires consideration of patent infringement in the context of a hypothetical case within a case, the malpractice claim necessarily raised a substantial issue of federal patent law. *Id.* at 1268-71. The Court then claimed to undertake a *Grable* "federalism analysis[.]" *Id.* at 1272. However, the analysis addressed only the importance of a federal forum. *Id.* (addressing the "federal interest in the adjudication of patent infringement claims" and the benefit to litigants of "federal judges who have experience in claim construction and infringement matters"). The *Air Measurement* court, like the *Landmark* court, failed to undertake required *Grable* assessment of the disruptive effect on state judicial responsibility of exercising exclusive jurisdiction.[6]

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6. See *Singh*, 538 F.3d at 340 (distinguishing *Air Measurement* in part because the Air Measurement court failed to consider issues of "federal interest and the effect on federalism").

Had the California court considered its state's interests, it would have found that the state's interests in maintaining jurisdiction over state-law malpractice claims with no more than a hypothetical treatment of patent law far outweigh any interests in federal jurisdiction over such claims. Indeed, legal malpractice is the traditional domain of state law with limited federal interference. *See Singh*, 538 F.3d at 339 (citing *Custer v. Sweeney*, 89 F.3d 1156 (4th Cir. 1996)). Federal courts have possessed exclusive patent jurisdiction governed by essentially the same statutory language for over 130 years. *See Florida Prepaid Postsecondary Ed. Expense Bd. v. College Savings Bank*, 527 U.S. 627, 648 n.1 (1999 STEVENS, J., dissenting). Yet, federal courts have traditionally declined jurisdiction over state-law malpractice cases that address hypothetical patent issues.[7] And with good reason.

By extending the reach of exclusive federal jurisdiction to attorney malpractice claims, the Federal Circuit becomes the arbiter of the state-law legal standard of care for attorneys representing clients in

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7. *See, e.g., Adamasu v. Gifford, Krass, Groh, Sprinkle, Anderson & Citkowski, P.C.*, No. 05-70389, 2005 U.S. Dist. LEXIS 37769 at *5, 11 (E.D. Mich. July 25, 2005) (no federal jurisdiction in malpractice case where attorney's alleged filing error resulted in a shortened period for patent protection); *IMT, Inc. v. Haynes & Boone, L.L.P.*, No. 3:98-CV-2634-D, 1999 U.S. Dist. LEXIS 1083 at *2-3, 10-11 (N.D. Tex. Feb 1, 1999) (no jurisdiction in case alleging legal malpractice for an improperly filed patent); *Commonwealth Film Processing Inc. v. Moss & Rocovich, P.C.*, 778 F. Supp. 283, 285-86 (W.D. Va. 1991) (no federal jurisdiction in legal malpractice case alleging attorneys lack of knowledge of patent law); *Voight v. Kraft*, 342 F Supp. 821, 821-22 (D. Idaho 1972) (no federal jurisdiction in malpractice suit over failed patent prosecution).

patent-related matters and is likely to develop federal standards that conflict with at least some of the varied standards established by the states. For example, in *Carter v. ALK Holdings, Inc.*, the Federal Circuit found exclusive jurisdiction over an attorney malpractice claim. 605 F.3d 1319, 1323-25 (Fed. Cir. 2010). Without reference to *any* state-law precedent governing the fiduciary duty of an attorney, the court created a standard, stating that "the [Patent Regulations and Rules concerning conflicts] *establish* John Doe I's expected fiduciary duties to his clients." *Id.* at 1323-25 (emphasis added). The Federal Circuit's decision in *Carter*, premised on *Air Measurement*, means that an attorney prosecuting a patent might be subject to potentially conflicting state and federal standards of fiduciary duty.

Because the plaintiff controls the pleading, in many circumstances[8] a client bringing suit could by its pleading choose whether state or federal regulatory standards applied to an attorney's fiduciary duty *after the fact*. As the federal courts—reviewed by a single circuit—exert greater control over state-law malpractice claims

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8. The case of *Davis v. Brouse McDowell, L.P.A.*, a patent prosecution malpractice case, where an attorney represented a client before both the PTO and in an international patent prosecution under the Patent Cooperation Treaty (PCT), demonstrates how this could commonly occur. 596 F.3d 1355 (Fed Cir. 2010), *cert. denied*, No. 08-1413, 2010 U.S. LEXIS 6588 (U.S. Oct. 4, 2010). In *Davis*, the Federal Circuit found that allegations of malpractice before under PCT "do not raise any issue of U.S. patent law" and thus would not support § 1338 jurisdiction. The USPTO claims however did support § 1338. Thus, under *Davis*, the plaintiff could choose either state jurisdiction by pleading only the PCT claims or federal jurisdiction by including the USPTO claim.

touching on patent-related representation, this type of uncertainty is bound to increase, leaving attorneys and their clients without guidance as to what standards govern a lawyer's conduct.[9]

In the three years following the Federal Circuit's decisions in *Air Measurement* and *Immunocept*, at least sixteen reported state-law malpractice cases have been dismissed from state courts or heard in federal courts on the basis of exclusive Section 1338 jurisdiction.[10] At

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9. See Michael Ena, *Jurisdictional Issues in the Adjudication of Patent Law Malpractice Cases in Light of Recent Federal Circuit Decisions*, 19 Fordham Intell. Prop. Media & Ent. L.F. 219, 220-221 (Citing recent increases in malpractice actions including those against patent attorneys).

10. Federal cases finding § 1338 "arising under" jurisdiction over state-law malpractice claims include: *Carter v. ALK Holdings, Inc.*, 605 F.3d 1319 (Fed. Cir. 2010); *Davis v. Brouse McDowell, L.P.A.*, 596 F.3d 1355 (Fed. Cir. 2010), *cert. denied*, No. 08-1413, 2010 U.S. LEXIS 6588 (U.S. Oct. 4, 2010); *Touchcom, Inc. v. Bereskin & Parr*, No. 1:07cv114 (JCC), 2008 U.S. Dist. LEXIS 112100 (E.D. Va. Feb. 4, 2008) *rev'd on other grounds*, 574 F.3d 1403 (Fed. Cir. 2009); *Max-Planck-Gesellschaft Zur Foerderung der Wissenschaften E.V. v. Wolf Greenfield & Sacks, PC*, 661 F.Supp. 2d 125 (D. Mass. 2009); *Rockwood Retaining Walls, Inc. v. Patterson, Thuente, Skaar & Christensen, P.A.*, No. 09-2493 (DWF/FLN), 2009 U.S. Dist. LEXIS 119349 (D. Minn. Dec. 22, 2009); *Tomar Elecs., Inc. v. Watkins*, No. 2:09-cv-00170-PHX-ROS, 2009 U.S. Dist. LEXIS 95573 (D. Ariz. July 23, 2009); *Weather Central, Inc. v. Reinhart Boerner Van Deuren, P.C.*, No. 08-cv-582-bbc, 2009 U.S. Dist. LEXIS 9910 (W.D. Wis. Feb. 10, 2009); *Parus Holdings, Inc. v. Banner & Witcoff, Ltd.*, 585 F. Supp. 2d 995, (N.D. Ill. 2008); *Landmark Screens, LLC v. Morgan, Lewis & Bockius LLP*, No. C 08-2581 JF (HRL), 2008 U.S. Dist. LEXIS 87646 (N.D. Cal. Oct. 2, 2008); *Berndt v. Greenwich Ins. Co.*, No. 08-cv-130-bbc, 2008 (Cont'd)

least ten reported cases have addressed the issue and rejected or distinguished *Air Measurement* and *Immunocept*.[11] Those cases following *Air Measurement* and *Immunocept* have overwhelmingly failed to balance the state's interests against the federal court's exercise of jurisdiction. *See, e.g., Carter v. ALK Holdings, Inc.*,

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(Cont'd)

U.S. Dist. LEXIS 98079 (W.D. Wis. Dec. 2, 2008); *LaBelle v. McGonagle*, NO. 07-12097-GAO, 2008 U.S. Dist. LEXIS 63117 (D. Mass. Aug. 15, 2008); *Byrne v. Wood*, No. 2: 08-102-DCR, 2008 U.S. Dist. LEXIS 61962 (E.D. Ky. Aug. 13, 2008); *Chopra v. Townsend, Townsend & Crew LLP*, No. 07-cv-02447-MSK-MEH, 2008 U.S. Dist. LEXIS 13471 (D. Colo. Feb. 13, 2008). State-law cases rejecting jurisdiction over state-law malpractice claims due to exclusive federal jurisdiction under § 1338 include: *Lockwood v. Sheppard, Mullin, Richter & Hampton*, 93 Cal. Rptr. 3d 220 (2d Dist. 2009); *Premier Networks v. Stadheim*, 918 N.E.2d 1117 (Ill. App. Ct. 1st Dist. 2009); *TattleTale Portable Alarm Sys. v. Calfee, Halter & Griswold, LLP*, 2009 Ohio 1379, 2009 Ohio App. LEXIS 1217 (Ohio Ct. App., Franklin County Mar. 26, 2009)

11. *Genelink Biosciences, Inc. v. Colby*, No. 09-5573(NLH)(AMD), 2010 U.S. Dist. LEXIS 66177 (D. N.J. July 1, 2010); *Danner, Inc. v. Foley & Lardner, LLP*, No. CV 09-1220-JE, 2010 U.S. Dist. LEXIS 63590 (D. Or. June 23, 2010); *Haase v. Abraham*, No. 6:09CV547, 2010 U.S. Dist. LEXIS 11132 (E.D. Tex. Feb. 9, 2010); *Roof Tech. Servs. v. Hill*, 679 F. Supp. 2d 749 (N.D. Tex. 2010); *Warrior Sports, Inc. v. Dickinson Wright, P.L.L.C.*, 666 F. Supp. 2d 749 (E.D. Mich. 2009); *Eddings v. Glast, Phillips & Murray*, No. 3:07-CV-1512-L, 2008 U.S. Dist. LEXIS 48589, *2 (N.D. Tex. June 25, 2008); *Taylor v. Kochanowski*, 2008 U.S. Dist. LEXIS 20430 (E.D. Mich. 2008); *New Tek Mfg. v. Beehner*, 751 N.W.2d 135 (Neb. 2008); *Minton v. Gunn*, 301 S.W.3d 702 (Tex. App—Fort Worth 2009) (pet. Filed Apr. 2, 2010; full briefing requested Aug. 8, 2010); *Revolutionary Concepts, Inc. v. Clements Walker PLLC*, No. 08-CVS-4333; 2010 NCBC LEXIS 8 (N.C. Super. Ct. Mar. 9, 2010).

605 F.3d 1319, 1323-25 (Fed. Cir. 2010) (finding exclusive federal jurisdiction over a claim for breach of fiduciary duty with no analysis of the state's interest). In contrast, those cases declining to find exclusive federal court jurisdiction over a traditional attorney malpractice claim overwhelmingly conduct the *Grable* analysis. *See, e.g.*, *Roof Tech. Servs. v. Hill*, 679 F. Supp. 2d 749, 755 (N.D. Tex. 2010) (holding that exercising exclusive federal jurisdiction over attorney malpractice claims "would disturb the balance of federal and state judicial responsibilities" because it would "sweep an entire category of cases, traditionally the domain of state courts, into federal court").

The assumption of jurisdiction over an increasingly large number of malpractice cases by federal courts threatens to disturb not only the states' role in adjudication of attorney malpractice, but also its role in developing the substantive standards applied to attorney malpractice. The issue is ripe for review and this case is uniquely positioned to allow this court to review and resolve the issue.

CONCLUSION

For the foregoing reasons, Landmark respectfully requests that this Court grant certiorari in this case.

Respectfully submitted,

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APPENDIX

APPENDIX A — OPINION OF THE UNITED STATES COURT OF APPEAL OF CALIFORNIA, SIXTH APPELLATE DISTRICT FILED MARCH 29, 2010

LANDMARK SCREENS, LLC,

Plaintiff and Appellant,

v.

MORGAN, LEWIS & BOCKIUS, LLP, et al.,

Defendants and Respondents.

H033285

COURT OF APPEAL OF CALIFORNIA, SIXTH APPELLATE DISTRICT

183 Cal. App. 4th 238; 107 Cal. Rptr. 3d 373; 2010 Cal. App. LEXIS 415; 95 U.S.P.Q.2D (BNA) 1391

March 29, 2010, Filed

JUDGES: Opinion by Elia J., with Rushing, P. J., and Premo, J., concurring.

OPINION BY: Elia

OPINION

ELIA, J.—Landmark Screens, LLC (Landmark), appeals from a judgment of dismissal following the

sustaining of a demurrer in favor of respondents Thomas Kohler and his law firm, Morgan, Lewis & Bockius, LLP. Landmark contends that its complaint for legal malpractice in patent prosecution raised no substantial issue of federal patent law and the superior court therefore erred in ruling that it lacked subject matter jurisdiction. We agree with the lower court's ruling on the facts presented and must therefore affirm the judgment.

BACKGROUND

Because this appeal arises from the sustaining of a demurrer, we summarize the underlying facts as they are stated in the operative pleading, the first amended complaint. "Our only task in reviewing a ruling on a demurrer is to determine whether the complaint states a cause of action. Accordingly, we assume that the complaint's properly pleaded material allegations are true and give the complaint a reasonable interpretation by reading it as a whole and all its parts in their context." (*Moore v. Regents of University of California (1990) 51 Cal.3d 120, 125 [271 Cal.Rptr. 146, 793 P.2d 479].*) Our summary further includes judicially noticeable facts contained in the record.

Landmark developed an "electronic billboard," a two-sided, electronically controlled, highly visible, outdoor light-emitting diode (LED) display. It began operating the billboard in December 2000 along Highway 101 in San Carlos. In November 2000 Landmark retained Thomas Kohler, then a partner in the Pennie & Edmonds

law firm, to pursue patent protection for its invention. Kohler filed a patent application on January 9, 2002, with the United States Patent and Trademark Office (PTO). This application, referred to by the abbreviated number '096, included 72 claims pertaining to different aspects of the billboard. In May 2003, however, the PTO restricted the application, leading Kohler to pursue only claims 26-31 and claims 56-72. The remaining claims he canceled and refiled on August 13, 2003, as a divisional application, which Landmark calls the '916 application.

The divisional application was incomplete, however. Kohler failed to include a copy of the specifications and drawings, submitted an obsolete transmittal letter that failed to contain a statement incorporating by reference the specifications and drawings filed with the '096 application, and failed to utilize a "postcard receipt" method by which the PTO could have notified Kohler of the missing portions of the application.

On October 28, 2003, the '096 application was issued as *United States Patent No. 6,639,574 (the '574 patent)*. Because the divisional application was incomplete, however, it could not claim the same January 9, 2002 filing date. Consequently, Landmark alleged, "to the extent any of the subject matter claimed in the '916 divisional application was in public use, sold or offered for sale, or disclosed in a printed publication greater than one year prior to the filing date of the '916 divisional application, including disclosure by the *'574 patent*, Landmark could now not obtain patent protection on such novel and valuable subject matter."

Appendix A

In February 2004 Kohler left Pennie & Edmonds and joined respondent Morgan, Lewis & Bockius, LLP (MLB). In June 2004 the PTO notified Kohler that the '916 application was incomplete. Kohler failed to disclose this development to Landmark. On August 23, 2004, he filed a petition in an effort to persuade the PTO to grant the divisional application the earlier filing date (Jan. 9, 2002) of the *'574 patent*.[1]

In its decision the PTO considered *37 Code of Federal Regulations part 1.183* (2009), which permits suspension of its filing rules in "an extraordinary situation, when justice requires." The PTO found no such circumstances and dismissed the petition in late 2004, based on "applicants' failure to exercise due care, or lack of knowledge of, or failure to properly apply, the patent statutes or rules of practice." The divisional application was instead given a filing date of August 23, 2004, the date on which Kohler submitted the missing parts of the application.

According to the complaint, it was only in December 2004, after receiving the PTO's dismissal decision, that Landmark learned about the incomplete filing of the '916 divisional application and the subsequent petition. Between the June 2004 notification by the PTO and the December 2004 dismissal, Kohler and MLB engaged in a "deceptive course of action" by "actively conceal[ing]

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1. The PTO's response indicated that Kohler had requested a filing date of August 13, 2003—the date the divisional application was originally filed—not January 9, 2002.

from Landmark" the negligent filing of the divisional application. Kohler and MLB continued to represent Landmark until November 2, 2005.

Landmark initiated this action on November 30, 2005, naming as defendants Pennie & Edmonds, MLB, and Kohler in his capacity as partner in each firm. In the first amended complaint, filed December 7, 2005, Landmark alleged legal malpractice, negligence, and breach of fiduciary duty. In the first and second causes of action, Landmark asserted that it had lost "valuable and pioneering patent rights" from defendants' failure to draft the patent claims properly, their failure to file a complete divisional application or correct its inadequacies, and their intentional or negligent failure to inform Landmark about the status of the divisional application. The third cause of action more generally asserted damages resulting from defendants' violation of Landmark's trust and confidence by "failing to properly and diligently perform legal services for Landmark and by intentionally concealing and failing to fully and properly inform Landmark of the status of the '916 divisional application and Defendants' Petition to the PTO."[2]

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2. In Landmark's answers to interrogatories it elaborated on its allegations, asserting that Kohler and MLB's failure to disclose or correct Kohler's errors and omissions caused "further damage to Landmark's patent rights." Landmark also complained of a false representation that it would not be charged for the work spent on the petition to the PTO and the failure to advise Landmark about steps it could take to mitigate the harm already caused.

All of the defendants answered, but only Pennie & Edmonds raised subject matter jurisdiction as an affirmative defense. On September 26, 2006, the superior court granted the motion of Pennie & Edmonds and Kohler to compel arbitration pertaining to the work Kohler had performed while at Pennie & Edmonds. The court stayed the entire action until the conclusion of that proceeding, but it denied MLB's request for joinder in the motion to compel arbitration.

The case against Pennie & Edmonds and Kohler (in his prior capacity as partner there) was resolved by settlement and the stay was lifted on March 17, 2008. On April 28, 2008, MLB and Kohler (as an MLB partner) demurred to all three causes of action, asserting lack of subject matter jurisdiction, and sought a protective order staying discovery. In opposition Landmark contended that the demurrer was untimely and that it was without merit, as the superior court had jurisdiction to decide the issues pertaining to MLB and Kohler's conduct. The superior court disagreed, however, overruling Landmark's untimeliness objection and sustaining the demurrer for lack of subject matter jurisdiction. The court accordingly entered judgment for Kohler and MLB on June 18, 2008. It is from that judgment that Landmark appeals.

On May 21, 2008, the day the demurrer order was entered, Landmark initiated an action against Kohler and MLB in the federal district court for Northern California. This complaint contained the same three causes of action as in the state court lawsuit but added

claims of breach of contract and fraud. With respect to the first four, however, the district court granted respondents' motion to dismiss, with leave to amend to allege equitable estoppel. The court ruled that the statute of limitations, *Code of Civil Procedure section 340.6*, barred these claims and that Landmark had not been under a legal disability such that the statutory period would have been tolled. In particular, the court stated, the defense challenge to the state court's subject matter jurisdiction was not unforeseeable under the law existing before 2005. "Indeed, Plaintiff's claim for malpractice in a patent prosecution necessarily requires a counterfactual analysis of whether a patent might have issued absent the alleged malpractice, and what rights it would have conferred. In short, Plaintiff was on notice of potential infirmities in the Superior Court's jurisdiction." The court permitted amendment of the entire fraud claim as well as the estoppel theory of the other claims.

In January 2009 the district court dismissed the nonfraud causes of action in Landmark's second amended complaint. The court rejected the revised assertions of equitable estoppel and dismissed the malpractice claims as untimely. It declined, however, to dismiss the pleading of fraudulent concealment in the second amended complaint.

Appendix A

DISCUSSION

1. Standard and Scope of Review

A demurrer is properly sustained when the complaint "does not state facts sufficient to constitute a cause of action," or where the court "has no jurisdiction of the subject of the cause of action alleged in the pleading." (*Code Civ. Proc., § 430.10, subds. (e), (a).*) "On appeal from a dismissal following the sustaining of a demurrer, this court reviews the complaint de novo to determine whether it alleges facts stating a cause of action under any legal theory. [Citation.] ... [¶] Because the function of a demurrer is not to test the truth or accuracy of the facts alleged in the complaint, we assume the truth of all properly pleaded factual allegations. [Citation.] Whether the plaintiff will be able to prove these allegations is not relevant; our focus is on the *legal* sufficiency of the complaint. [Citations.] [¶] The plaintiff bears the burden of demonstrating error by the superior court. [Citation.] Our only task is to determine whether the complaint states a cause of action as a matter of law. [Citations.] To show entitlement to reversal the plaintiff must show that the complaint alleged facts sufficient to establish every element of each cause of action. If the plaintiff failed to plead, or if the defendants negated, any essential element of a particular cause of action, this court should uphold the sustaining of the demurrer[]." (*Los Altos Golf & Country Club v. County of Santa Clara (2008) 165 Cal.App.4th 198, 203 [80 Cal.Rptr.3d 340].*)

2. Subject Matter Jurisdiction

(1) The viability of Landmark's action depends on an application of *28 United States Code section 1338* (hereafter *section 1338*), which grants exclusive jurisdiction to federal courts in patent cases.[3] The scope of this authority was set forth by the United States Supreme Court in *Christianson v. Colt Industries Operating Corp. (1988) 486 U.S. 800 [100 L.Ed.2d 811, 108 S.Ct. 2166]* and subsequently refined in *Grable & Sons Metal Products, Inc. v. Darue Engineering & Mfg. (2005) 545 U.S. 308 [162 L.Ed.2d 257, 125 S.Ct. 2363]*. Accordingly, *section 1338* jurisdiction is proper only when "a well-pleaded complaint establishes either that federal patent law creates the cause of action or that the plaintiff's right to relief necessarily depends on resolution of a substantial question of federal patent law, in that patent law is a necessary element of one of the well-pleaded claims." (*Christianson, supra, 486 U.S. at p. 809.*) "[T]he question is, does a state-law claim necessarily raise a stated federal issue, actually disputed and substantial, which a federal forum may entertain without disturbing any congressionally approved balance of federal and state judicial responsibilities." (*Grable & Sons Metal Products, Inc. v. Darue Engineering & Mfg., supra, 545 U.S. at p. 314.*) (2) Worth further noting is "an independent corollary of the well-

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3. *Title 28, section 1338, of the United States Code* provides in relevant part: "The district courts shall have original jurisdiction of any civil action arising under any Act of Congress relating to patents . ... Such jurisdiction shall be exclusive of the courts of the states in patent ... cases."

pleaded complaint rule that a plaintiff may not defeat removal by omitting to plead necessary federal questions in a complaint." (*Franchise Tax Bd. v. Laborers Vacation Trust (1983) 463 U.S. 1, 22 [77 L.Ed.2d 420, 103 S.Ct. 2841]*.)

Respondents Kohler and MLB have not suggested that Landmark's action arises out of federal patent law; unquestionably legal malpractice is a state law claim. The focus of respondents' opposition is instead on the second prong of the *Christianson* test, as they maintain that the issues cannot be decided without addressing a substantial question of federal patent law.

Respondents rely on two federal appellate cases, *Air Measurement Techs., Inc. v. Akin Gump Strauss Hauer & Feld, L.L.P. (Fed.Cir. 2007) 504 F.3d 1262* (*AMT*) and *Immunocept, LLC v. Fulbright & Jaworski, LLP (Fed.Cir. 2007) 504 F.3d 1281* (*Immunocept*). Landmark, however, urges us to disregard those federal cases and instead follow the result we reached in *Linear Technology Corp. v. Applied Materials, Inc. (2007) 152 Cal.App.4th 115 [61 Cal.Rptr.3d 221]*. We agree with respondents that federal court is the proper forum for this lawsuit.

Both *AMT* and *Immunocept* were legal malpractice cases. The action in *AMT* was filed in a Texas state court, alleging that the defendant attorney had made several errors in the course of patent prosecution and subsequent patent infringement litigation. According to the plaintiff AMT, those errors forced it to settle the

patent infringement litigation for far less than fair market value because the underlying defendants had been able to raise plausible defenses of patent invalidity and unenforceability, which would not have been available but for the attorney's errors. (*AMT, supra, 504 F.3d at p. 1266.*) The defendant law firm removed the lawsuit to federal court, but the plaintiff moved to remand it to Texas. Three years later, they reversed positions, with two defendant law firms requesting remand, over the plaintiff's opposition.

Applying *section 1338*, the district court denied the motion to remand, and the Federal Circuit Court of Appeals affirmed. Noting that Texas malpractice law would require the plaintiff to prove a "case within a case" in order to show proximate cause, the court concluded that the plaintiff would have had to establish that it would have prevailed in the earlier litigation but for the lawyer's negligence. (*AMT, supra, 504 F.3d at p. 1269.*) Accordingly, the merits of that patent infringement claim—a substantial question of federal patent law—would have to be adjudicated as a necessary element of the alleged malpractice. The court further acknowledged the concerns expressed in *Grable* in stating that "[t]here is a strong federal interest in the adjudication of patent infringement claims in federal court because patents are issued by a federal agency. The litigants will also benefit from federal judges who have experience in claim construction and infringement matters." (*Id. at p. 1272.*)

In *Immunocept*, the plaintiff company alleged that its attorney had inadequately drafted a patent claim,

which narrowed the scope of the patent's protection and thus allowed competitors to copy the claimed methods without risk of infringement. (*Immunocept, supra, 504 F.3d at p. 1284.*) The court held that because the drafting error was a necessary element of the malpractice cause of action, Immunocept could not prevail without addressing the "claim scope." (*Id. at p. 1285.*) And because "patent claim scope defines the scope of patent protection [citation], we surely consider claim scope to be a substantial question of patent law. As a determination of patent infringement serves as the basis of *§ 1338* jurisdiction over related state law claims, so does a determination of claim scope. After all, claim scope determination is the first step of a patent infringement analysis." (*Ibid.*) Accordingly, a substantial question of federal law was presented, thereby establishing *section 1338* jurisdiction. This question "can be complex in that it may involve many claim construction doctrines," and its resolution called for uniformity among judges. (*504 F.3d at p. 1285.*) "Litigants will benefit from federal judges who are used to handling these complicated rules." (*Ibid.*)

Landmark maintains that *AMT* and *Immunocept* are "rogue" cases that evince "overreaching" by the federal circuit and are not binding on this court. Instead, it argues, we should follow our prior decision in *Linear Technology Corp. v. Applied Materials, Inc., supra, 152 Cal.App.4th 115.* In that case Linear Technology Corporation (Linear) sued equipment manufacturers that had sold it equipment that was later the source of a patent infringement suit by Texas Instruments, Inc.

(TI), against Linear based on its use of the equipment. The focus of the contract claim was respondents' breach of a promise to indemnify Linear and hold it harmless from claims arising from its use of the equipment it had bought from respondents. This court held that Linear's action for breach of contract and related claims did not require adjudication of a substantial question of federal patent law. Determining whether the infringement of the process patents arose from Linear's use of equipment purchased from the respondents entailed "only factual questions—in particular, what was the nature of each patent and was there a causal connection between Linear's use of the processing equipment and its infringement of TI's patents. TI's focus on Linear's conduct (its manufacturing *process*) also is not controlling. That TI had not named other defendants shows only that TI was uninterested in which tools Linear had used in infringing its process patents; it simply wanted relief for the infringement itself. The subject of the present action is more closely focused on how that infringement came to pass—specifically, whether it arose from the use of respondents' products." (*Id. at p. 127.*)

Of the three decisions related above, *Immunocept* is the most comparable, as it concerns claims of malpractice in patent prosecution. That case is not an anomaly, even in the federal circuit, as Landmark suggests; indeed, the same court recently reaffirmed its view that a claim of legal malpractice resulting in patent invalidity was within the jurisdiction of the federal court, as it required analysis of the patent claim

and a showing that but for the attorney's error in filing a patent application, the resulting patent would not have been held invalid. (See *Touchcom, Inc. v. Bereskin & Parr (Fed.Cir. 2009) 574 F.3d 1403*; *Davis v. Brouse McDowell, L.P.A. (Fed.Cir. 2010) 596 F.3d 1355*; but see *Excelstor Technology, Inc. v. Papst Licensing GMBH & Co. KG (Fed.Cir. 2008) 541 F.3d 1373* [state is proper forum for licensee's suit against licensor which collected multiple royalties for same patented product].) *Linear Technology* is of limited application in the case before us, as we are not concerned with indemnification of claims brought by a third party against the plaintiff, and there the plaintiff's damages did not require a determination of patent infringement, enforceability, validity, or even scope. Here, by contrast, the complaint alleged impairment of valuable patent rights through respondents' conduct.

Lockwood v. Sheppard, Mullin, Richter & Hampton (2009) 173 Cal.App.4th 675 [93 Cal.Rptr.3d 220] represents one example of this state's application of *AMT* and *Immunocept*. It was not a legal malpractice case, however. There the plaintiff inventor sued an attorney and his law firm for making false representations to the PTO in requesting reexamination of the plaintiff's patents. According to the plaintiff, the attorney knew that the PTO would rely on those representations in granting reexamination, resulting in a stay of the plaintiff's pending infringement lawsuits for years while the validity of the patents was redetermined. During that time the plaintiff was unable to enforce his patents and thus had to end his

enforcement program and settle the infringement lawsuits. Addressing the jurisdictional issue raised by the plaintiff on appeal, the Second District, Division Four, held that the federal courts had exclusive subject matter jurisdiction over Lockwood's complaint. The court examined *AMT* and *Immunocept* and concluded that for Lockwood to prevail on any of his claims, he would have to prove that but for the misrepresentations the PTO would not have granted reexamination. That showing brought into play a substantial question of patent law, as the court would have to "put itself in the position of a 'reasonable' patent examiner." (*Id. at p. 687.*)

Landmark aptly points out, however, that in this case the dispute is not about the adequacy of the divisional application; the issue is only "whether Kohler and MLB committed attorney malpractice by engaging in concealment and a course of deceptive conduct surrounding the already-filed divisional application, denying Landmark its only chance to remedy the situation. That is a question the California courts are capable of deciding without special expertise in patent law and without deciding the scope, validity, and enforceability of actual federal patent rights."

(3) Landmark's distinction is a valid one as far as it goes, but it does not resolve the question of subject matter jurisdiction presented here. In California a viable legal malpractice claim requires proof of "(1) the duty of the attorney to use such skill, prudence, and diligence as members of his or her profession commonly possess and exercise; (2) a breach of that duty; (3) a proximate

causal connection between the breach and the resulting injury; and (4) actual loss or damage resulting from the attorney's negligence." (*Coscia v. McKenna & Cuneo (2001) 25 Cal.4th 1194, 1199 [108 Cal.Rptr.2d 471, 25 P.3d 670]*.) The third and fourth elements cannot be overlooked. (*Viner v. Sweet (2003) 30 Cal.4th 1232, 1242 [135 Cal.Rptr.2d 629, 70 P.3d 1046]*.) Thus, in transactional as well as litigation malpractice actions, a plaintiff "must show that *but for* the alleged malpractice, it is more likely than not that the plaintiff would have obtained a more favorable result." (*Id. at p. 1244*.) "The purpose of this requirement, which has been in use for more than 120 years, is to safeguard against speculative and conjectural claims. [Citation.] It serves the essential purpose of ensuring that damages awarded for the attorney's malpractice actually have been caused by the malpractice." (*Id. at p. 1241*.)

(4) Accordingly, the showing required of Landmark goes beyond the question of whether respondents' concealment and deception amounted to malpractice. To recover from respondents, Landmark would have to prove that but for their failure to disclose (or intentional concealment of) Kohler's negligence in filing the '916 divisional application, it would not have lost "valuable and pioneering patent rights."[4] Landmark even

4. Landmark's complaint also alleges that "had Defendants exercised proper care, skill and diligence in the foregoing matter, Landmark's valuable and pioneering divisional patent for the electronic billboard would have been afforded the benefit of the filing date of the application for the '*574 patent*, thus preserving and providing to Landmark valuable patent rights to the invention."

acknowledges that its success would derive from "demonstrating that Defendants' concealment closed the door on Landmark's opportunity to pursue patent rights for its pioneering invention."[5] The nature and extent of those patent rights present a substantial issue of federal patent law that is properly adjudicated in federal court.

Landmark nonetheless maintains that the cases supporting the superior court's dismissal—in particular, *AMT*, *Immunocept*, and, more recently, *Touchcom, Inc. v. Bereskin & Parr, supra, 574 F.3d 1403*—have departed from "longstanding principles" and have appropriately been criticized in subsequent decisions. Even the federal circuit, Landmark insists, has retreated from its earlier position. Examination of these recent decisions, however, reveals their distinguishing attributes. The basis of the holding in *Excelstor Technology, Inc. v. Papst Licensing GMBH & Co. KG, supra, 541 F.3d 1373*, for example, was that the defendant had collected two different royalties from the same patented product. Because "there is no federal cause of action for collecting royalties twice on the same goods," patent law was not an element of any wrongful conduct. (*Id. at pp. 1376-1377.*) *Singh v. Duane Morris LLP (5th Cir. 2008) 538 F.3d 334* is also of limited assistance. In that malpractice action the Fifth Circuit rejected the analysis in *AMT* and found neither a substantial federal issue nor a

5. The additional assertion that respondents' conduct can be shown to have "deprived Landmark of the ability to exploit its pending patent application through licensing" does not appear as a distinct allegation in the operative complaint.

sustained balance between federal and state judicial responsibilities. The federal issue was primarily one of fact (whether Singh could have presented sufficient evidence of secondary meaning in the prior suit), while federal law was "only tangentially relevant" and the federal interest weak. (*Id. at p. 339.*) But the *Singh* court emphasized that its holding concerned trademark law—not, as in *AMT*, patent law; it expressly declined to determine whether the federal interest would be sufficient to justify federal jurisdiction in a case involving patent issues. (*Id. at p. 340.*)

The two Nebraska cases cited by Landmark, *New Tek Mfg., Inc. v. Beehner (2005) 270 Neb. 264 [702 N.W.2d 336]* (*New Tek I*) and *New Tek Mfg., Inc. v. Beehner (2008) 275 Neb. 951 [751 N.W.2d 135]* (*New Tek II*) are also not helpful. Those decisions arose from a patent that the defendant law firm had allowed to expire. Although the plaintiff was eventually able to revive the patent by paying a late maintenance fee, the plaintiff was left unprotected during the expired period, thus allegedly allowing infringement by a competitor. The Nebraska Supreme Court identified the "precise question" as "whether, absent Beehner's negligence, New Tek would have been successful in an infringement action against [the competitor]." (*New Tek I, supra, 702 N.W.2d at p. 346.*) The court acknowledged that legal malpractice required a plaintiff to show that it would have prevailed in a patent infringement action against the competitor. But the court regarded this question as one of fact, which state courts could adjudicate. In *New Tek II*, decided after *AMT* and *Immunocept*, the court

briefly acknowledged those federal cases and merely repeated its conclusion that it had subject matter jurisdiction over the malpractice claim. (*751 N.W.2d at p. 144.*)

(5) We agree that a hypothetical or potential, as opposed to an actual, infringement may be dismissed as irrelevant to damages in the proper case; but if an infringement action was prevented by the attorney's negligence, then it seems to us that proof of damages would require not just evidence of facts but presentation of substantial patent law questions that the federal court is better equipped to address. "Determining causation always requires evaluation of hypothetical situations concerning what might have happened, but did not. In both litigation and transactional malpractice cases, the crucial causation inquiry is *what would have happened* if the defendant attorney had not been negligent. This is so because the very idea of causation necessarily involves comparing historical events to a hypothetical alternative." (*Viner v. Sweet, supra, 30 Cal.4th at p. 1242.*)

Consequently, to the extent that the scope of a patent claim or a loss caused by infringement is at issue, we decline to follow the Nebraska court in making the determination, even in the context of a state law cause of action. Merely because infringement may be a question of fact in a tort created under state law does not mean that it necessarily belongs in state court. We believe it was improper for the Nebraska court to intrude on federal jurisdiction by basing summary

judgment on the conclusion that the evidence was insufficient to prove noninfringement. (*New Tek I, supra, 702 N.W.2d at pp. 354-355* ["there was no evidence sufficient to support a finding that element 4, claim 22, of the '080 patent was not equivalent to the corresponding structure of the Orthman device, and no other evidence that would show that the Orthman device, as a matter of law, did not infringe on the '080 patent"]; see *Premier Networks, Inc. v. Stadheim and Grear, Ltd. (2009) 395 Ill. App. 3d 629 [335 Ill. Dec. 304, 918 N.E.2d 1117, 1123]* [expressing disagreement with *New Tek I*]; *Rockwood Retaining Walls, Inc. v. Patterson, Thuente, Skaar & Christensen, P.A.* (D.Minn., Dec. 22, 2009, Civ. No. 09-2493 (DWF/FLN)) 2009 WL 5185770 [following *AMT*, not *New Tek*, where causation element of malpractice claim involved substantial federal issue of patent law]; see also *Tattletale Portable Alarm Systems, Inc. v. Calfee, Halter & Griswold, LLP* (Ohio App., Mar. 26, 2009, No. 08AP-693) 2009 WL 790314 [malpractice action based on failure to ensure payment of patent maintenance fees depended on substantial issue of federal patent law where attorney's negligence caused loss of patent and loss of lucrative contract].)

(6) Landmark further argues that this case differs significantly from precedent supporting respondents' position, because here there is no issued patent. The existence of a patent, however, has not invariably been deemed necessary for a finding of a substantial question of federal patent law. In *Davis v. Brouse McDowell, L.P.A., supra, 596 F.3d 1355*, for example, the district court's exercise of jurisdiction was upheld where the

plaintiff had to prove that she would have obtained patents but for her attorney's negligence in preparing and filing her applications. In *Max-Planck-Gesellschaft Zur Foerderung Der Wissenschaften E.V. v. Wolf Greenfield & Sacks, PC (D.Mass. 2009) 661 F.Supp.2d 125*, for example, a claim of legal malpractice in patent prosecution was within the federal court's jurisdiction where proof of economic damage required a showing that the attorney's conduct under a conflict of interest proximately caused the PTO to *reject* the plaintiff's patent claims. Similarly, in *LaBelle v. McGonagle* (D.Mass., Aug. 15, 2008, Civ. A. No. 07-12097-GAO) 2008 WL 3842998, page *4, footnote 3 a substantial federal question was shown where recovery of damages for failure to file a patent application required a showing that the application would have resulted in issuance of a patent "sufficiently broad for [the plaintiffs] to seek damages from infringers or to license the patent for royalties." And in *Chopra v. Townsend, Townsend and Crew LLP* (D.Colo., Feb. 13, 2008, Civ. A. No. 07-CV-02447-MSK-MEH) 2008 WL 413944 a malpractice claim for abandoning patent applications was determined to be within federal jurisdiction as long as a dispute remained over the amount of damages, which was asserted to be the amount of the competitor's royalties, because plaintiff would have had to prove that if the application had been approved, then the competitor would have infringed the patent. Finally, in *Med Five v. Keith* (D.Hawaii., Feb. 25, 2008, Civ. No. 07-00389DAE-LEK) 2008 WL 564674, page *3 the plaintiffs sought remand to state court on the ground that their contract and tort claims, including legal malpractice, did not

implicate federal law because "they [did] not have a patent and federal patent law does not create a cause of action based on pending or provisional patents." The district court rejected this position, finding a substantial federal question because the plaintiffs' claims were "premised upon an allegation akin to patent infringement." (*Id.* at p. *6; cf. *Gratsch v. University of Michigan Regents* (E.D.Mich., Jan. 30, 2009, No. 08-14765) 2009 WL 230544 [patent law issues only incidentally implicated in employment discrimination complaint].)[6]

We thus conclude that the superior court correctly ruled that this action should be adjudicated in federal court because of the substantial patent questions presented in the elements of causation and damages. We disagree with Landmark that on the precise facts before us, ceding jurisdiction to the federal court would upset the balance between federal and state judicial responsibilities. (*Grable & Sons Metal Products, Inc. v. Darue Engineering & Mfg., supra, 545 U.S. at p. 314.*)

We further find no viable avenue of relief through reliance on the prospect of alternative theories for recovery of damages. It is true that "a claim supported

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6. Although we may not rely on unpublished California cases, the California Rules of Court do not prohibit citation to unpublished federal cases, which may properly be cited as persuasive, although not binding, authority. (*Cal. Rules of Court, rule 8.1115; Farm Raised Salmon Cases (2008) 42 Cal.4th 1077, 1096, fn. 18 [72 Cal.Rptr.3d 112, 175 P.3d 1170]; Pacific Shore Funding v. Lozo (2006) 138 Cal.App.4th 1342, 1352, fn. 6 [42 Cal.Rptr.3d 283].*)

by alternative theories in the complaint may not form the basis for *§ 1338(a)* jurisdiction unless patent law is essential to each of those theories." (See *Christianson v. Colt Industries Operating Corp., supra, 486 U.S. at p. 810.*) In *Altavion, Inc. v. Konica-Minolta Systems Laboratory, Inc.* (N.D.Cal., May 8, 2008, No. C 07-06358 MHP) 2008 WL 2020593, on which Landmark relies, the federal district court was able to identify a theory related to its fraud claim that was unrelated to any question of patent law. Here, however, the complaint does not appear to lend itself to alternative theories that do not call for determination of a substantial federal issue, whether it is the prospect of licensing its invention or the vague suggestion of "its ability to fix Defendants' mistakes" before July 10, 2004. In either case the viability of the licensing opportunity or remediation of Kohler's "mistakes" would require substantive determination of issues that are properly resolved in federal court.

Landmark protests that affirmance of the judgment here would leave it without a remedy. We cannot provide relief from that predicament. As the district court noted in rejecting Landmark's claim of legal disability, at the time Landmark filed this action there was sufficient authority suggesting that federal court would be the proper forum for resolution of the issues raised. (See, e.g., *Holiday Matinee, Inc. v. Rambus, Inc. (2004) 118 Cal.App.4th 1413, 1426-1427 [13 Cal.Rptr.3d 766]* [substantial patent law issues raised in allegations of unfair royalty charges, threatened patent infringement litigation, and baseless lawsuits].) Pennie & Edmonds

alerted Landmark to the issue of subject matter jurisdiction in its answer, only two months after the first amended complaint was filed. Like the district court, we are not convinced that Landmark was deprived of its ability to file a timely action in federal court.

DISPOSITION

The judgment is affirmed.

Rushing, P. J., and Premo, J., concurred.

A petition for a rehearing was denied April 28, 2010, and appellant's petition for review by the Supreme Court was denied July 14, 2010, S182516. Werdegar, J., did not participate therein.

APPENDIX B — DEMURRER TO FIRST AMENDED COMPLAINT, SUPERIOR COURT OF CALIFORNIA, COUNTY OF SANTA CLARA DATED MAY 21, 2008

Case No. 1 - 05 - CV053568

ORDER RE: DEMURRER TO FIRST AMENDED COMPLAINT

LANDMARK SCREENS, LLC,

Plaintiff,

v.

PENNIE & EDMONDS, LLP, MORGAN, LEWIS & BOCKIUS LLP, and THOMAS D. KOHLER,

Defendants.

The demurrer to first amended complaint by Defendants Morgan, Lewis & Bockius and Thomas D. Kolher (Defendants) came on for hearing before the Honorable James P. Kleinberg on May 20, 2008, at 9:00 A.M. in Department 1. Clark S. Stone, Esq. appeared for Plaintiff. Elliott R. Peters, Esq. and Steven P. Ragland, Esq. appeared for Defendants Morgan, Lewis & Bockius and Thomas D. Kohler. The Court, having reviewed and considered the memoranda submitted by both sides, having heard the argument of counsel and being fully advised, orders as follows:

Appendix B

1. Plaintiff's request for judicial notice is granted.

2. Plaintiff's objection that the demurrer is untimely has no merit. An objection for lack of subject matter jurisdiction is never waived and can be raised at any time. (See CCP § 430.80(a).)

ORDER RE: DEMURRER

3. Defendants' motion to strike Plaintiff's supplemental points and authorities is denied.

4. State and federal cases agree that exclusive federal jurisdiction exists where the complaint establishes either that federal patent law creates the cause of action or that the plaintiff's right to relief necessarily depends on resolution of a substantial question of federal patent law. (See *Linear Tech. Corp. v. Applied Materials, Inc.* (2007) 152 Cal.App.4th 115; *Air Measurement Technologies, Inc. v. Akin Gump Strauss Hauer & Feld, LLP* (Fed. Cir. 2007) 504 F.3d 1262; *Immunocept, LLC v. Fulbright Jaworski, LLP* (Fed. Cir. 2007) 504 F 3d 1281.)

Plaintiff's claims against Defendants arise from their concealment of the June 22, 2004 notice from the PTO concerning the incomplete nature of the August 13, 2003 '916 divisional application and their filing of an unauthorized and ineffective petition attempting to convince the PTO to grant the incompletely-filed divisional application the earlier filing date of the '574 patent. (See ¶¶ 25-29.) Plaintiff seeks compensation for

the loss of valuable and pioneering patent rights to its invention.

Plaintiff's reliance on *Linear Technologies* is misplaced. *Linear Technologies* involved the alleged breach of a contractual duty to indemnify the plaintiff for attorney's fees and costs incurred as a result of defending a patent infringement claim. The Court of Appeal for the Sixth Appellate District concluded that the plaintiff could meet its burden without engaging the superior court in a substantial question of federal law. It reasoned that whether the duty to indemnify exists depends on contract law, not federal patent law. (See id. at 125-126.)

In contrast, Plaintiff's claims in this case require a determination of whether Defendants' alleged legal malpractice and breach of fiduciary duty led to a loss of valuable patent rights. In order for Plaintiff to prove causation, it must prove that it would have obtained those patent rights but for Defendants' legal malpractice and breach of fiduciary duty. This necessarily would engage the superior court in a substantial question of federal law concerning whether the PTO would have granted Plaintiff certain patent rights if Defendants had not concealed the June 22, 2004 notice and had not filed an unauthorized and ineffective petition. The issue of the loss of patent rights is not merely relevant to the amount of damages, it goes to the heart of Plaintiff's case in chief and is essential to proving entitlement to any relief. Accordingly, the demurrer is SUSTAINED on the ground that the court

has no jurisdiction of the subject of the cause of action alleged in the pleading. (See CCP § 430.10(a).)

Plaintiff did not show in what manner it can amend the complaint so as to avoid the legal effect of the pleading. (See *Hendy v. Losse* (1991) 54 Cal.3d 723, 742.) Moreover, a plaintiff may not defeat section 1338(a) jurisdiction by omitting to plead necessary federal patent-law questions. (See *Linear Technologies, supra,* 152 Cal.App.4th at 124 [quoting *Christianson v. Colt Industries Operating Corp.* (1988) 486 U.S. 800, 809, fn. 3.].) Accordingly, Plaintiff's request for leave to amend is DENIED.

IT IS SO ORDERED
Dated: May 21, 2008

/s/ James P. Kleinberg

Honorable James P. Kleinberg
Judge of the Superior Court

APPENDIX C — DECISION IN THE SUPREME COURT OF CALIFORNIA, COURT OF APPEAL, SIXTH APPELLATE DISTRICT FILED JULY 14, 2010

Court of Appeal, Sixth Appellate District
No. H033285

S182516

IN THE SUPREME COURT OF CALIFORNIA

En Banc

LANDMARK SCREENS, LLC,

Plaintiff and Appellant,

v.

MORGAN, LEWIS & BOCKIUS, LLP et al.,

Defendants and Respondents.

The petition for review is denied.

Werdegar, J., was recused and did not participate.

GEORGE
Chief Justice

Supreme Court, U.S.
FILED
JAN 14 2011
OFFICE OF THE CLERK

No. 10-499

In The
Supreme Court of the United States

LANDMARK SCREENS, LLC,

Petitioner,

v.

MORGAN, LEWIS & BOCKIUS LLP
and THOMAS D. KOHLER,

Respondents.

On Petition for a Writ of Certiorari to the California Court of Appeal Sixth Appellate District

RESPONDENTS' BRIEF IN OPPOSITION

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QUESTION PRESENTED

Whether claims against a patent lawyer and his law firm that stem from alleged legal malpractice – but require resolution of substantial federal patent law issues – "relat[e] to patents" and thus fall within the exclusive jurisdiction of federal courts under 28 U.S.C. § 1338(a), as courts have uniformly held.

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STATEMENT

Petitioner Landmark Screens, LLC seeks review of an intermediate state-court decision that is merely the latest in a series of cases holding that, when the plaintiff in a legal-malpractice case asserts a claim requiring resolution of a substantial issue of federal patent law, the case arises under federal law and is subject to the exclusive jurisdiction Congress conferred on federal courts in cases "relating to patents." *See* 28 U.S.C. § 1338(a).

I. Factual background

Landmark Screens developed an "electronic billboard" with a two-sided display for operation along the highways. Pet. App. 2a. In November 2000, Landmark hired Respondent Thomas Kohler – a patent-law expert and then a partner in the Pennie & Edmonds law firm – to seek patent protection for Landmark's invention. *Id.* at 2a-3a.

In January 2002, Kohler filed a patent application with the United States Patent and Trademark Office ("PTO") that included 72 claims pertaining to different aspects of the billboard. Pet. App. 3a. In May 2003, the PTO determined that the patent application addressed multiple inventions and should be restricted to only one. *See* 35 U.S.C. § 121 (authorizing the PTO to restrict a patent application to a single invention). Kohler thus pursued some of the claims in the original application, and refiled the others in what is called a "divisional" application. *Ibid.*

A proper divisional application resubmits for separate PTO evaluation some of the claims contained in an earlier application. If the divisional application is granted, and a patent issues, protection for the invention extends back to the earlier application date, rather than to the date of the later-filed divisional application.

In February 2004, Kohler left Pennie & Edmonds and joined Morgan, Lewis & Bockius LLP. Pet. App. 4a. The PTO notified Kohler that the divisional application was incomplete. *Ibid.* Without informing Landmark, Kohler sought to convince the PTO to extend the date of the divisional application back to the earlier date of the original application. *Ibid.* The PTO refused and gave the divisional application an August 23, 2004 filing date – the date on which Kohler submitted the missing parts of the divisional application. *Ibid.*

A reissue patent eventually issued. It is broad enough to cover some of the claims included within the divisional application (Pet. 5 n.1),[1] but Landmark nonetheless contends that it lost "valuable and pioneering patent rights" and licensing opportunities as a result of alleged errors by Kohler. Pet. App. 5a.

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[1] *See Landmark Screens, LLC* v. *Morgan, Lewis & Bockius LLP*, 2010 U.S. Dist. LEXIS 95735 *14 (N.D. Cal. 2010) ("the reissue patent claims are significantly broader than and inclusive of the 'lost' divisional application claims").

II. Proceedings below

A. Proceedings in the state trial court.

In November 2005, Landmark filed suit in California state court against Pennie & Edmonds, Morgan Lewis, and Kohler in his capacity as a partner at each firm. Pet. App. 5a. Landmark asserted claims under California law for legal malpractice, negligence, and breach of fiduciary duty. *Ibid.*

Landmark's malpractice and negligence claims alleged that it lost "valuable and pioneering patent rights" because Kohler failed to draft the patent claims properly; failed to file a complete divisional application or to correct the application's inadequacies; and failed to inform Landmark about the status of the divisional application. Pet. App. 5a.

The fiduciary-duty claim alleged that respondents breached fiduciary duties owed to Landmark "by failing to properly and diligently perform legal services for Landmark and by intentionally concealing and failing to fully and properly inform Landmark of the status of the . . . divisional application and [the] [p]etition to the PTO." *Ibid.*

Kohler's conduct allegedly prevented Landmark from taking other, unspecified actions that would have restored the January 2002 filing date and any attendant patent rights.

In September 2006, the trial court granted a motion to compel arbitration pertaining to the work Kohler had performed while at Pennie & Edmonds.

Pet. App. 6a. The trial court stayed the action pending arbitration. *Ibid.* In March 2008, the case against Pennie & Edmonds and against Kohler in his prior capacity as a partner there settled and the stay was lifted. *Ibid.*

The next month, Morgan Lewis and Kohler (in his capacity as a partner of that firm) filed a demurrer seeking to dismiss all three of Landmark's causes of action for lack of subject-matter jurisdiction. Pet. App. 6a.

Specifically, the demurrer argued that because Landmark's claims would require the state court to resolve substantial issues of federal patent law, the state court lacked jurisdiction over Landmark's suit under 28 U.S.C. § 1338(a), which vests jurisdiction over claims that "relat[e] to patents" exclusively in the federal courts. The trial court agreed, sustained the demurrer, and dismissed Landmark's claims. Pet. App. 6a.

B. Proceedings in the federal district court.

On the day the trial court entered its order sustaining the demurrer, Landmark filed suit against Kohler and Morgan Lewis in federal court. Pet. App. 6a. The complaint asserted the same three causes of action as in the state litigation, and added claims for breach of contract and fraud. *Ibid.* The operative federal complaint asserted the same three causes of action as the dismissed state-court complaint, and added claims for breach of contract and fraud. *Id.*

The district court concluded that Landmark's first four claims were barred by the statute of limitations and that Landmark had failed to state a fraud claim. The court dismissed the complaint with leave to amend to allege additional facts concerning fraud and to allege an equitable-estoppel theory of recovery.

The district court concluded that Landmark's first four claims were barred by the statute of limitations and dismissed them (with leave to amend to allege an equitable estoppel theory of recovery). Pet. App. 7a. Of particular relevance here, the district court concluded that respondents' challenge to the state court's subject-matter jurisdiction was not unforeseeable under the law existing before 2005, when Landmark filed its suit in state court, and thus Landmark was not entitled to tolling on that basis. *Ibid.*

"Indeed," the district court observed, Landmark's "claim for malpractice in a patent prosecution *necessarily requires* a counterfactual analysis of whether a patent might have issued absent the alleged malpractice, and what rights it would have conferred." *Ibid.* (emphasis added). The district court did, however, permit Landmark to proceed on its fraud claim, and on an equitable-estoppel theory as to the other claims. *Ibid.*

In January 2009, the district court dismissed the nonfraud claims in Landmark's second amended complaint and rejected Landmark's equitable-estoppel theory. The district court declined to dismiss Landmark's claim for fraudulent concealment, however, and that claim remains pending. Pet. 5 n.1.

C. Proceedings in the state appellate courts.

The state court of appeal affirmed the trial court's judgment that it lacked subject-matter jurisdiction over Landmark's claims because they "relat[e] to patents" under 28 U.S.C. § 1338(a), which vests exclusive jurisdiction over such claims in federal courts.

The court began its analysis by observing that in *Christianson* v. *Colt Industries Operating Corp.*, 486 U.S. 800 (1988), this Court held that federal courts have exclusive jurisdiction under § 1338 in two circumstances:

> [When] a well-pleaded complaint establishes *either* that federal patent law creates the cause of action *or* that the plaintiff's right to relief necessarily depends on resolution of a substantial question of federal patent law, in that patent law is a necessary element of one of the well-pleaded claims.

486 U.S. at 809 (emphasis added); *see also Grable & Sons Metal Products, Inc.* v. *Darue Engineering & Mfg.*, 545 U.S. 308, 314 (2005) ("[T]he question is, does a state-law claim necessarily raise a stated federal issue, actually disputed and substantial, which a federal forum may entertain without disturbing any congressionally approved balance of federal and state judicial responsibilities."). The court of appeal acknowledged that respondents were not suggesting that Landmark's suit "arises out of"

federal patent law, as legal malpractice is "unquestionably" a state-law claim. Pet. App. 10a. Rather, respondents were relying "on the second prong of the *Christianson* test, as they maintain that the issues cannot be decided without addressing a substantial question of federal patent law." *Ibid.*

The court of appeal agreed, noting that to state a claim for legal malpractice or professional negligence under California law, the plaintiff must establish: (1) the duty of the attorney to use such skill, prudence, and diligence as members of the profession commonly possess and exercise; (2) a breach of that duty; (3) a proximate causal connection between the breach and the resulting injury; and (4) actual loss or damage resulting from the negligence. Pet. App. 15a-16a. The court reasoned that the third and fourth elements, in particular, present substantial patent issues here because they require Landmark to show that "'*but for* the alleged malpractice, it is more likely than not that the plaintiff would have obtained a more favorable result.'" *Id.* at 16a (quoting *Viner* v. *Sweet*, 30 Cal.4th 1232, 1242 (2003)) (emphasis in original). That means, the court of appeal explained, that Landmark's claims would require a court to determine whether "but for" respondents' errors, Landmark "would not have lost 'valuable and pioneering patent rights.'" *Ibid.* (quoting Landmark's complaint).

Landmark's complaint further alleged, the court of appeal observed, that "but for" respondents' alleged errors, Landmark's "'divisional patent for the electronic billboard would have been afforded the benefit

of the filing date of the application for the '574 patent, thus preserving and providing to Landmark valuable patent rights to the invention.'" Pet. App. 16a n.4 (quoting Landmark's complaint). "Accordingly," the court of appeal concluded, "the showing required of Landmark goes beyond the question of whether respondents' concealment and deception amounted to malpractice." Pet. App. 16a.

The court of appeal noted that even Landmark "acknowledge[d] that its success would derive from 'demonstrating that [respondents'] concealment closed the door on Landmark's opportunity to pursue patent rights for its pioneering invention.'" Pet. App. 16a-17a (quoting Landmark's complaint). Thus, the court of appeal concluded, "[t]he nature and extent of those patent rights present a substantial issue of federal patent law that is properly adjudicated in federal court." *Id.* at 17a. On that basis, the court of appeal affirmed the judgment in respondents' favor.

The court of appeal also rejected Landmark's argument that affirming the judgment would unfairly leave it without a remedy. Pet. App. 23a-24a. The court noted that Landmark's predicament was of its own making, because when Landmark filed its state-court action in late 2005 "there was sufficient authority suggesting that federal court would be the proper forum for resolution of the issues raised." *Id.* at 23a (citing *Holiday Matinee, Inc.* v. *Rambus, Inc.*, 118 Cal.App.4th 1413, 1426-27 (2004) (applying this Court's decision in *Christianson* to hold that even though a consumer class-action complaint did not

allege patent infringement or fraud on the PTO, state-law anticompetitive conduct claims necessarily put the enforceability and validity of the defendant's patents at issue)).[2] And, the court of appeal added, "Pennie & Edmonds alerted Landmark to the issue of subject-matter jurisdiction in its answer, only two months after the first amended complaint was filed." *Ibid.* Accordingly, "[l]ike the [federal] district court," the state court of appeal was "not convinced that Landmark was deprived of its ability to file a timely action in federal court." *Ibid.*

Landmark filed a petition for rehearing, which was denied. It then filed a petition for review in the California Supreme Court, which was denied.

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[2] Since then, the law has become even clearer, as the Federal Circuit repeatedly has reaffirmed that exclusive federal patent-law jurisdiction extends to state legal-malpractice suits alleging that a client would have obtained more extensive patent rights *but for* an attorney's negligence in prosecuting the client's patent application. *See Warrior Sports, Inc.* v. *Dickinson Wright, P.L.L.C.*, No. 2010-1091 (Fed. Cir. Jan. 11, 2011); *Air Measurement Technologies, Inc.* v. *Akin Gump Strauss Hauer & Feld, LLP*, 504 F.3d 1262 (Fed. Cir. 2007); *Immunocept, LLC* v. *Fulbright & Jaworski LLP*, 504 F.3d 1281 (Fed. Cir. 2007). Contrary to Landmark's suggestions, there is nothing untoward about those decisions – they are straightforward applications of this Court's decisions in *Christianson* and *Grable*.

REASONS TO DENY THE PETITION

Landmark seeks review of an intermediate state court decision that is merely the latest in a series of cases holding that where, as here, a plaintiff in a legal malpractice case asserts a claim that requires the court to resolve one or more substantial issues of federal patent law, the case arises under federal law and is subject to the exclusive jurisdiction that Congress conferred on federal courts under 28 U.S.C. § 1338(a) in cases "relating to patents." Contrary to Landmark's assertions, there is no conflict for this Court to resolve. The intermediate state court simply (and correctly) applied settled legal principles to the facts of this case. At most, the petition seeks fact-bound error correction and should be denied for that reason alone.

Contrary to Landmark's dire pronouncements, the lower courts have uniformly recognized that exclusive federal jurisdiction does not extend to patent malpractice claims *as a class*. Rather, faithfully applying this Court's decisions in *Christianson* and *Grable*, the lower courts have consistently held that federal jurisdiction is exclusive under § 1338 only where, as here, a "well-pleaded complaint establishes *either* that federal patent law creates the cause of action *or* that the plaintiff's right to relief *necessarily depends on resolution of a substantial question of federal patent law*, in that patent law is a necessary element of one of the well-pleaded claims." 486 U.S. at 808-09 (emphases added).

The court below straightforwardly applied *Christianson* and concluded that resolving Landmark's state-law malpractice claims would require the determination of several substantial issues of patent law. That conclusion creates no conflict and is correct besides. Most significantly, Landmark's state-law claims would require the state court to determine, at a minimum: (1) Whether a reasonable patent examiner would have granted a January 2002 filing date for the divisional patent application if respondents had acted differently in June 2004; and (2) Whether, even with a January 2002 filing date, a reasonable patent examiner would have found that Landmark's divisional claims met the statutory requirements for patentability. Those complex patent issues are integral elements of Landmark's case-in-chief: And they are hardly "hypothetical," as Landmark claims. Rather, under California law, they are essential, gateway determinations that must be made for Landmark to prevail.

The decision below is thus no "over-reaching grasp in expanding exclusive federal jurisdiction over attorney malpractice claims," as Landmark asserts. *See* Pet. App. 12. It is a straightforward application of the well-settled principle articulated by this Court in *Christianson* that where state-law claims would require a state court to address substantial issues of federal patent law – here, by deciding whether patent rights were indeed lost and, if so, whether a skilled federal patent law practitioner had a duty under patent law to act differently – the claims "relate to

patents" and federal jurisdiction is thus exclusive under § 1338.

The decision below thus marks no "sea change" in the law, but adheres to the principles announced by this Court well before Landmark mistakenly filed its suit in state court. There is no need for this Court to clarify rules that were clear enough for two courts – one state and one federal – to conclude that Landmark's predicament is of its own making, because it was foreseeable before Landmark filed suit that its claims belonged in federal court.

Nor does the decision below somehow offend federalism principles. Congress chose to bring the expertise of the federal judiciary to bear on patent issues and provide uniformity in the rules developed by conferring exclusive jurisdiction on federal district courts under 28 U.S.C. § 1338(a), and exclusive appellate jurisdiction on the U.S. Court of Appeals for the Federal Circuit under 28 U.S.C. § 1295(a). There is no dispute – as the court below recognized – that federal jurisdiction does not extend to all malpractice suits involving patents, but only to those that raise at least one substantial issue of patent law. Here, it is state law itself that would require the court to address substantial issues of patent law in resolving Landmark's claims. So it can hardly be said that the decision below somehow upsets the federalism balance struck by this Court in *Christianson*.

There is no conflict with this Court's cases (or any others), and no other reason for this Court to

review the state court's application of well-settled legal principles to the particular facts of this case. The petition should be denied.

I. The petition presents no important legal issue on which there is conflicting authority.

A. The shallow split claimed by Landmark is illusory.

Landmark tries to manufacture a split in authority where none exists. The purported "conflict" that Landmark identifies at most reflects the fact-bound application of settled legal rules in different settings.

Landmark claims (at Pet. 13) that the decision below conflicts with the Fifth Circuit's decision in *Singh* v. *Duane Morris LLP*, 538 F.3d 334, 339 (5th Cir. 2008), but there is no conflict because *Singh* is distinguishable. *Singh* involved attorney malpractice under *trademark* law, not patent law. The Fifth Circuit recognized the importance of that distinction, stating that "holding[s] regarding malpractice in a patent suit" did not apply in *Singh*, which involved "malpractice in a trademark suit." *Id.* at 340. As the Fifth Circuit explained, the distinction is important because the federal interest in patent cases may be "sufficiently more substantial, such that it might justify federal jurisdiction, when a similar result would not be appropriate where trademark issues are concerned." *Ibid.*

Indeed, federal interests are greater in patent matters because Congress made federal jurisdiction over patent controversies exclusive (28 U.S.C. § 1338(a)), whereas federal jurisdiction over trademark controversies is concurrent. And *Singh* itself acknowledged prior Fifth Circuit precedent holding that a state-law breach-of-contract case arises under federal law when the court must assess whether the defendant infringed patents. *Id.* at 340 n.8 (citing *Scherbatskoy* v. *Halliburton Company*, 125 F.3d 288, 291 (5th Cir. 1997)). So there is no conflict with *Singh*.

Contrary to Landmark's claims, there is no conflict either with *New Tek Manufacturing, Inc.* v. *Beehner*, 270 Neb. 264 (2005) ("*New Tek I*"), 275 Neb. 951 (2008) ("*New Tek II*"). In *New Tek I*, the court recognized that cases like this one – which present substantial patent issues – would fall within exclusive federal jurisdiction under *Christianson*. *See* 270 Neb. at 271 ("federal courts have exclusive jurisdiction in cases in which . . . relief necessarily depends on resolution of a substantial question of federal patent law . . . ").

However, in applying *Christianson* to the facts before it, the Nebraska court concluded that "it is difficult to see how this case arises under federal patent law when on the record before us, the only patent that has been construed, and of which infringement is alleged, has expired." *New Tek I*, 270 Neb. at 272. The correctness of *New Tek*'s narrow "expired patent" exception to § 1338 jurisdiction is

highly debatable. *Cf. Warrior Sports, Inc.* v. *Dickinson Wright, P.L.L.C.*, No. 2010-1091 (Fed. Cir. Jan. 11, 2011) (holding that § 1338 jurisdiction existed over legal-malpractice claim although patent-in-suit had lapsed due to failure to pay maintenance fee). But, regardless of its correctness, a narrow and fact-bound state-court holding furnishes no compelling basis for certiorari review. Here, moreover – unlike in *New Tek* – adjudicating Landmark's malpractice claims would have required the state court to address a host of substantial patent-law issues, including but not limited to the following:

Novelty – Whether the inventions claimed in the divisional application were disclosed in any single document published before the application was filed. *See* 35 U.S.C. § 102;

Prior use – Whether the claimed inventions were in public use more than one year before the patent application was filed. *See* 35 U.S.C. § 102(b);

Non-obviousness – Whether the claimed inventions, even if "novel," nevertheless would have been obvious to a person of ordinary skill in the relevant technical art. *See* 35 U.S.C. § 103(a); and

Enablement – Whether the written specification in the proposed divisional patent would have enabled a person of ordinary skill in the art to make or carry out the invention. *See* 35 U.S.C. § 112.

Thus, far from showing that any conflict exists, Landmark's reliance on *New Tek I* – and on the other

cases it cites – merely supports the unsurprising conclusion that applying the same legal rule to different facts can yield different results.

The federal district-court decisions cited by Landmark confirm this conclusion. As Landmark forthrightly acknowledges, most of them held (as did the court below) that federal jurisdiction was exclusive because the malpractice claims at issue involved substantial patent-law issues. *See* Pet. 22, n.10. Those decisions that reached the opposite conclusion did so on the basis of different facts.[3] District courts have not "reject[ed]" Federal Circuit precedent explaining when federal patent jurisdiction extends over a state malpractice claim. Pet. 15. Rather, for record-based reasons, district courts have found jurisdiction unavailable in particular cases – *e.g.*, "[a]lthough plaintiffs' claims may raise patent law issues, those issues are not 'actually disputed and

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[3] *See, e.g., Genelink Biosciences, Inc.* v. *Colby*, 2010 U.S. Dist. LEXIS 66177 (D.N.J. 2010) (Federal Circuit's *Air Measurement* and *Immunocept* "cases are distinguishable from the case here. . . ."); *Eddings* v. *Glast, Phillips & Murray*, 2008 U.S. Dist. LEXIS 48589, *11, 12 (N.D. Tex. 2008) (in a "close case" court concludes that patent law is not essential to plaintiffs' claim); *Taylor* v. *Kochanowski*, 2008 U.S. Dist. LEXIS 20430 (E.D. Mich. 2008) (patent issues in malpractice case were already resolved in an earlier federal proceeding). Landmark also cites *Warrior Sports, Inc.* v. *Dickinson Wright P.L.L.C.*, 666 F.Supp.2d 749 (E.D. Mich. 2009), which the Federal Circuit reversed and vacated on January 11, 2011, holding that the district court had erred in dismissing the case for lack of federal jurisdiction.

substantial.'" *Roof Technical Services, Inc.* v. *Hill*, 679 F.Supp.2d 749, 752-53 (N.D. Tex. 2010) (describing the Federal Circuit's *Air Measurement* and *Immunocept* decisions as "factually distinguishable"); *accord*, *Danner, Inc.* v. *Foley & Lardner LLP*, 2010 U.S. Dist. LEXIS 63590 *9-10 (D. Ore. 2010) (holding that plaintiff could prove its case without addressing "essential questions of patent law. . . .").

Thus, the applicable legal test is not in controversy, much less the source of any conflict. And, in any event, even if the district-court decisions were in conflict – which they are not – that conflict would not warrant this Court's review.

B. The petition seeks review of the fact-bound application of settled legal principles.

Landmark admits, as it must, that this Court already has established "the standards for determining when a case arises under 'an act of Congress relating to' patents so as to invoke the federal courts' exclusive jurisdiction under 28 U.S.C. § 1338." Pet. 9. As demonstrated above, there is no genuine division of authority as to that legal standard. Indeed, the court below *expressly agreed* with Landmark that "hypothetical" patent issues in a malpractice case do not support the exercise of federal jurisdiction. Pet. App. 19a. It simply disagreed with Landmark that the patent issues here are, in fact, hypothetical.

Landmark is thus left to seek fact-bound error correction – leading with the argument that its malpractice claims do "not require resolution of a substantial question of federal patent law." Pet. 10. But this Court does not sit to correct "the misapplication of a properly stated rule of law." S. Ct. Rule 10. And, in this case, there is no error to correct.

Contrary to Landmark's argument, the court of appeal correctly recognized that the patent-law issues in this case are not merely hypothetical. *See* Pet. 10-12. To recover on any of its claims, Landmark would have to establish that it in fact lost "valuable and pioneering patent rights," thereby presenting the array of patent-law issues outlined *supra* at p. 15.[4] The mere fact that the patent-law analysis would be necessary to resolve state *tort* claims, as distinguished from patent-*infringement* claims, does not defeat federal jurisdiction. This Court made that clear in *Christianson*, which held that federal jurisdiction

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[4] Landmark has the same problem with its claim of lost licensing opportunities. It must prove, as an essential element of that claim, that the allegedly lost licensing opportunity was worth something – that it constitutes an injury-in-fact. The trial court would have to determine (a) whether and how the attorneys violated PTO rules, and (b) how those errors would have affected the theoretical licensing value of the pending application. The latter question inevitably would require the court to consider whether the pending application had any value at all – i.e., whether the divisional claims were patentable. After all, no one is going to pay to license a patent application unless convinced that the invention is worthy of patent protection in the first place, and confident that the PTO will in fact grant a patent on it.

is exclusive not only where patent law creates the cause of action, but also where, as here, "plaintiff's right to relief necessarily depends on resolution of a substantial question of federal patent law, in that patent law is a necessary element of one of the well-pleaded claims." 486 U.S. at 809.

In disagreeing with the conclusion that the patent-law issues raised by its malpractice claims are not merely hypothetical, Landmark relies on two cases that address when an actionable claim is presented under the federal Declaratory Judgments Act, 28 U.S.C. § 2201. *See Aetna Life Ins. Co.* v. *Haworth*, 300 U.S. 227 (1937); *GAF Building Materials Corp.* v. *Elk Corporation of Dallas*, 90 F.3d 479 (Fed. Cir. 1996). The decision here does not conflict with those cases, even if resort to them by analogy made sense. Those cases merely stand for the unexceptional proposition that a justiciable "controversy must be definite and concrete, touching the legal relations of parties having adverse legal interests. [The dispute must be of] a real and substantial controversy admitting of specific relief through a decree of a conclusive character, as distinguished from an opinion advising what the law would be upon a hypothetical state of facts." *Aetna Life*, 300 U.S. at 240-41. Landmark's claims satisfy those requirements and require assessment of substantial patent-law issues, as the courts below correctly held.[5]

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[5] Contrary to Landmark's argument, no appellate decision suggests that the required analysis of patent issues in a state

(Continued on following page)

II. Landmark offers no other sound basis for further review.

Unable to muster a true conflict, Landmark claims that the decision below offends federalism principles and predicts dire consequences if review is denied. *See, e.g.*, Pet. 21-22. Neither Landmark's federalism objection nor its Cassandra-like prophecies are well founded, and neither justifies review in this Court.

A. The decision below respects the proper balance of federal and state interests struck by this court in *Grable*.

Landmark accuses the intermediate state court of failing to account for the impact of its decision on the balance between federal and state judicial responsibility, and thereby failing to honor this Court's decision in *Grable*. Pet. 18. But that accusation rests on a mischaracterization of the lower court's opinion.

The lower court did not, as Landmark suggests, "ignore" *Grable*. Rather, it provided a lengthy and detailed jurisdictional analysis that not only cited *Grable* repeatedly but also demonstrated a pervasive awareness of how *Grable* and other cases have struck the balance between the federal interest in adjudicating

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law malpractice is "not precedential." Pet. 11, 23. The "substantial patent questions presented in the elements of causation and damages," Pet. App. 22a, would have to be determined as part of Landmark's malpractice claim. The resulting adjudications, like other judicial determinations, can either dictate or at least strongly inform the rights of the parties in future legal controversies.

substantial patent-law issues and the state interest in providing redress for professional negligence. *See* Pet. App. 9a, 15a-17a. The court below simply "disagree[d] with Landmark that *on the precise facts before us*, ceding jurisdiction to the federal court would upset the balance between federal and state judicial responsibilities." Pet. App. 22a (citing *Grable*; emphasis added). And, in any event, this Court held in *Grable* that the federal interests there were "sufficiently substantial to support the exercise of federal question jurisdiction" and "would not distort any division of labor between the state and federal courts, provided or assumed by Congress." 545 U.S. at 310. That is true here, too.

Landmark's argument to the contrary ignores that the court below gave careful attention to the relevant state interests by examining the requirements of Landmark's state-law claims. The court recognized that California law itself makes patent law issues essential – in other words, that the State itself had directed focus on federal law in some patent-malpractice cases as part of the duty-of-care, "but for" causation, and damage elements. Pet. App. 15a-17a. Federal jurisdiction poses no "disruptive portent" to state interests when the State itself makes patent issues pivotal to its tort claims for professional negligence, legal malpractice, and breach of fiduciary duty. *See* Pet. 18 (quoting *Grable*, 525 U.S. at 314).

Recognizing federal jurisdiction under those circumstances does not transfer to an inappropriate venue the power to fashion "the standard of care for attorneys representing clients in patent-related

matters," as Landmark claims. *See* Pet. 20-21. To the contrary, committing those questions to a federal court when substantial issues of patent law are involved fulfills the directives of Congress while doing no disservice to the development of state negligence law as applied to professional conduct in the specialized field of patent law. Indeed, there is a strong "federal interest in the adjudication of patent infringement claims" that inures to the benefit of litigants by ensuring that substantial patent-law issues are adjudicated by "federal judges who have experience in claim construction and infringement matters." *Air Measurement*, 504 F.3d at 1272.[6]

While some issues of state law may travel into federal court too, this is the natural consequence of this Court's decision in *Christianson*, which expressly authorizes federal jurisdiction over state-law causes of action that require the determination of one or

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[6] Contrary to Landmark's suggestion (at Pet. 21, 23-24), there is nothing troubling from a federalism perspective about the Federal Circuit's substantive law holding in *Carter* v. *ALK Holdings, Inc.*, 605 F.3d 1319, 1323-25 (Fed. Cir. 2010), that "the [Patent Regulations and Rules concerning conflicts] established John Doe I's expected fiduciary duties to his clients." A defendant's failure to conform his conduct to a statutory standard or rule is a technique that is sometimes employed to ascertain the defendant's duty of care, standard of care, or both. *See Elsner* v. *Uveges*, 34 Cal.4th 915, 927 n.8 (2004). When "sensitive judgments about Congressional intent" call for federal jurisdiction, there is nothing objectionable in allowing the federal court to determine state negligence standards, especially when state law directs the court to federal patent law. *Grable*, 545 U.S. at 318-19.

more significant patent-law issues, even though the cause of action was not created by Congress.[7]

B. There is no uncertainty in the law requiring clarification by this Court and no need for this Court's review now.

Landmark insists that absent review now, future cases will all be channeled into the Federal Circuit and no conflict will ever develop. Pet. 16. But that argument only confirms that no conflict exists *now* for this Court to resolve. Moreover, neither federal nor state courts have rotely dispatched all patent-malpractice cases into federal court – so both state and federal appellate courts will continue to scrutinize where federal jurisdiction is warranted, and where it is not, based on the facts of the particular cases before them.[8]

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[7] Landmark implies that there is something untoward if review of patent-law malpractice cases becomes centralized before "a single circuit." Pet. 21. But Congress created the Federal Circuit in order to achieve uniformity by channeling substantial patent-law issues to a single circuit with specialized expertise.

[8] In California, for example, state appellate courts have consistently applied the same rules governing federal jurisdiction under § 1338, though they have naturally found that case-specific circumstances counsel different ultimate outcomes on the existence of federal jurisdiction. *Compare Lockwood* v. *Sheppard, Mullin, Richter & Hampton*, 173 Cal.App.4th 675, 687 (2009), *and Holiday Matinee*, 118 Cal.App.4th at 1426-27, *with Linear Technology Corp.* v. *Applied Materials, Inc.*, 159 Cal.App.4th 115, 126-27 (2007).

Nor is there any "uncertainty over which court has jurisdiction" that this Court needs to clarify. *See* Pet. 7. Although the petition does not acknowledge it, two different courts held that it was foreseeable to Landmark when it filed its suit that its claims belonged in federal court. *See supra* at pp. 5, 8-9. And what was foreseeable to Landmark before it sued in late 2005 became even more manifest in February 2006 when Pennie & Edmonds filed its answer and asserted lack of state court subject matter jurisdiction as an affirmative defense. If any future plaintiff is genuinely and legitimately confused about the proper forum for its malpractice claim, that plaintiff has recourse. It can protectively file in both federal and state court, or secure an early adjudication after filing in only one venue.[9]

Landmark weakly complains that malpractice plaintiffs may be able to use their complaint-drafting control to influence whether claims land in federal or state court. Pet. 21. But for nearly a century this Court has vindicated the rule that the plaintiff is the

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[9] Here, for example, Landmark could have secured an early adjudication by demurring to the affirmative defense of lack of jurisdiction. *See* California Code of Civil Procedure §§ 430.40(b) (a party who filed a complaint may demur to the answer within ten days of service of the answer), 430.50(b) ("A demurrer to an answer may be taken to the whole answer or to any one or more of the several defenses set up in the answer."). But Landmark did not do so and, moreover, resolution of the jurisdictional issue was deferred because some of the claims were submitted to arbitration, the remaining claims were stayed, and the jurisdictional issue was not addressed until the stay was lifted.

master of its complaint. *See The Fair* v. *Kohler Die & Specialty Co.*, 228 U.S. 22, 25 (1913) ("[The] party who brings a suit is master to decide what law he will rely upon"). A plaintiff pleads its way into federal court when it triggers *Christianson*'s second test for federal jurisdiction. It is fitting to hold Landmark to the consequences of its own pleadings, which raise substantial issues of federal patent law over which Congress has provided for exclusive federal jurisdiction.

If there truly is a lack of clarity about the proper application of § 1338(a), the issue will recur in other cases and crystallize into a clear legal question over time. But the intermediate state-court decision in this fact-bound case certainly does not warrant review now.[10]

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[10] Indeed, this Court recently denied a petition presenting a related question, i.e., "[w]hether the [court] erred by asserting federal patent jurisdiction over a single state law claim of legal malpractice in which at least one theory of the claim does not rely upon a substantial question of federal patent law." Pet. in *Daniels* v. *McDowell*, No. 09-1413, at i (cert. denied Oct. 4, 2010).

CONCLUSION

The petition for a writ of certiorari should be denied.

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IN THE

Supreme Court of the United States

LANDMARK SCREENS, LLC,

Petitioner,

v.

MORGAN, LEWIS & BOCKIUS LLP AND THOMAS D. KOHLER,

Respondents.

ON PETITION FOR A WRIT OF CERTIORARI TO THE CALIFORNIA COURT OF APPEAL, SIXTH APPELLATE DISTRICT

REPLY BRIEF OF PETITION

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REPLY BRIEF OF PETITIONER

The broad and overreaching standard articulated by the Federal Circuit in *Immunocept*[1] and *Air Measurement*[2] marks a sea change in that Court's reach over traditional state law malpractice claims involving patent attorneys. Many state and federal court decisions decided after *Immunocept* and *Air Measurement*, including the instant one, have blindly followed the Federal Circuit. Yet, other state and federal courts have openly rejected the Federal Circuit's reasoning as inconsistent with this Court's precedent. Notwithstanding Respondents' efforts to read unity into these cases, the disagreement among the courts is express in the opinions themselves and is recognized consistently by commentators.

This law-based conflict over when relief in a malpractice case involving patent lawyers "necessarily depends on resolution of a substantial question of federal patent law" will continue to arise, causing confusion for practitioners and resulting in dire consequences for their clients. Indeed, in the few months since the original Petition in this case was filed, a number of additional decisions have issued, applying varying standards. Yet, because of the procedural context in which the issue typically arises, it will generally escape review. This case provides a unique opportunity for this Court to address this important question of law.

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1. *Immunocept, LLC v. Fulbright & Jaworski, LLP*, 504 F.3d 1281, 1285-86 (Fed. Cir. 2007).

2. *Air Measurement Techs., Inc. v. Akin Gump Strauss Hauer & Feld, L.L.P.*, 504 F.3d 1262, 1269 (Fed. Cir. 2007).

I. The law is unsettled and ripe for review.

The Federal Circuit's decisions in *Air Measurement* and *Immunocept* and their progeny mark a sea change in the law.[3] Indeed, before *Air Measurement* and *Immunocept*, state and federal courts rejected § 1338 jurisdiction over state-law malpractice claims involving patent issues.[4]

While many cases subsequent to *Air Measurement* and *Immunocept* follow the Federal Circuit's newly-articulated standard and find exclusive federal jurisdiction under § 1338 in a broad array of malpractice claims involving patent attorneys, a significant number of courts disagree.[5] For example, in *Minton v. Gunn* the

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3. *See, e.g., Berndt v. Greenwich Ins. Co.*, No. 08-cv-130-bbc, 2008 U.S. Dist. LEXIS 98079 (W.D. Wis. Dec. 2, 2008) (stating that *Immunocept* represented the "adopt[ion of] an expansive view of § 1338"). Moreover, the Federal Circuit in *Air Measurement* recognized that it was a case of first impression for the court. 504 F.3d at 1267.

4. *See, e.g., Adamasu v. Gifford, Krass, Groh, Sprinkle, Anderson & Citkowski, P.C.*, No. 05-70389, 2005 U.S. Dist. LEXIS 37769 at *5, 11 (E.D. Mich. July 25, 2005); *IMT, Inc. v. Haynes & Boone, L.L.P.*, No. 3:98-CV-2634-D, 1999 U.S. Dist. LEXIS 1083 at *2-3, 10-11 (N.D. Tex. Feb 1, 1999); *Commonwealth Film Processing Inc. v. Moss & Rocovich, P.C.*, 778 F. Supp. 283, 285-86 (W.D. Va. 1991); *Voight v. Kraft*, 342 F. Supp. 821, 821-22 (D. Idaho 1972); *Minatronics Corp. v. Buchanan Ingersoll P.C. (No. 2)*, 28 Pa. D. & C.4th 214, 216-17 (1996).

5. Although the Fifth Circuit in *Singh v. Duane Morris LLP*, distinguished the Federal Circuit precedent by noting that "it is possible" that the federal interest in patent law "might" distinguish it from trademark, *Singh* is described by the court

court characterizes the Federal Circuit's decisions as "misappl[ying] United States Supreme Court precedent by disregarding the federalism analysis that the Supreme Court has applied." 301 S.W.3d 702, 709 (Tex. App.—Fort Worth, 2009, pet. filed). Similarly, in *Warrior Sports, Inc. v. Dickinson Wright, P.L.L.C.*, the district court criticized the Federal Circuit's lack of restraint, stating that "the Federal Circuit appears to have no reservations about exercising its power over underlying patent issues as leverage to reach purely state-law causes of action." 666 F. Supp. 2d 749, 751 (E.D. Mich. 2009).[6]

Other recent cases undertake federalism analyses and hold—unlike the Federal Circuit—that exclusive jurisdiction would disturb the balance between federal and state jurisdictional responsibilities. *See, e.g., Roof Tech. Servs. v. Hill*, 679 F. Supp. 2d 749, 752-54 (N.D. Tex. 2010); *Genelink Biosciences, Inc. v. Colby*, 722 F. Supp. 2d 592, 599-601 (D. N.J. 2010). Some hold, in

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below—and is regularly described—as rejecting the Federal Circuit's analysis of *Grable*. 538 F.3d 334, 340 (5th Cir. 2008); Pet. App. 17a-18a; *see also, e.g., Tofanelli v. Biogen Idec, Inc.*, No. 07-11840-DPW, 2008 U.S. Dist. LEXIS 61674 at *10-11 n.1 (D. Mass. Aug. 5, 2008) (*Singh* and *Air Measurement* are "different approaches" to *Grable*); *Minton*, 301 S.W.3d at 720-21 (dissent) (noting that the majority chose "to follow *Singh*" as opposed to following *Air Measurement* and *Immunocept*); Mallen & Smith, Legal Malpractice, § 35:4 at 1157 (West 2010) (noting that *Singh* "both challenged and distinguished" the Federal Circuit).

6. Given the strong critique of Federal Circuit precedent, it is not surprising that the Federal Circuit recently reversed the district court. *Warrior Sports, Inc. v. Dickinson Wright, P.L.L.C.*, No. 2010-1091, 2011 U.S. App. LEXIS 521 at *12 (Fed. Cir. Jan. 11, 2011).

contrast to the Federal Circuit line of cases, that there is no federal interest in hypothetical[7] case-within-a-case determinations. *See, e.g.*, *Genelink*, 722 F. Supp. 2d at 600-601. Some additionally hold that the federal interest is further diminished where no patent has issued or where the patent has expired. *See, e.g.*, *Roof Tech.*, 679 F. Supp. 2d at 753. Respondents characterize these cases as merely reaching a different conclusion from the Federal Circuit "on the basis of different facts." Resp. 16. But these cases do not just distinguish *Air Measurement* and *Immunocept* on their facts but instead reach and disagree with the fundamental legal standard applied.[8]

This conflict shows no signs of subsiding. Indeed, in the short time since the Petition was filed, at least three new state and federal cases have issued, bringing the total number of similar cases above thirty while increasing the confusion on this issue.[9] Further, many state courts

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7. "Hypothetical," as used in the Petition and the lower court decision refers to the analysis in a malpractice case of various hypothetical alternative courses of conduct the attorney may have followed to reach different results than those actually reached.

8. Any distinction of Federal Circuit precedent on the grounds that the Federal Circuit authorities extended jurisdiction only to cases where actual patents had issued was rendered meaningless by *Davis v. Brouse McDowell, L.P.A.*, 596 F.3d 1355, 1358 (Fed. Cir. 2010) (finding exclusive federal jurisdiction where alleged negligence "precluded [plaintiff] from securing patents on her inventions").

9. *Minkin v. Gibbons P.C.*, No. 2:08-02451, 2010 U.S. Dist. LEXIS 135847 (D.N.J. Dec. 23 2010) (finding § 1338 jurisdiction in patent prosecution malpractice case where plaintiff alleged that negligent drafting resulted in an overly narrow patent); *ARC Products, L.L.C., v. Kelly*, No. 4:10-CV-1248 (CEJ), 2010 U.S.

are not required to fall into line with the Federal Circuit regarding a jurisdictional determination; they are only bound by a determination of the United States Supreme Court. *See, e.g., Minton*, 301 S.W.3d at 709. Similarly, at least some district courts have found it unclear whether Federal Circuit holdings regarding § 1338 jurisdiction are binding on them. *See, e.g., Roof Tech.*, 679 F. Supp. 2d at 753 n.2 ("It is unclear whether decisions of the Federal Circuit determining the scope of federal jurisdiction in patent-related matters are binding on this court."); *but see Rockwood Retaining Walls, Inc. v. Patterson, Thuente, Skaar & Christensen, P.A.*, No. 09-2493 (DWF/FLN), 2009 U.S. Dist. LEXIS 119349 at * 8 (D. Minn. Dec. 22, 2009) (discussing § 1338 jurisdiction and stating that "this Court is bound, on issues of patent law, by the precedential decisions of the Federal Circuit").

Unlike traditional federal jurisprudential disputes involving circuit conflicts, there is not even certainty that consistent treatment *within* a circuit will develop. *E.g., Compare two Sixth Circuit cases, Byrne v. Wood*, No. 2:08-102-DCR, 2008 U.S. Dist. LEXIS 61962 at *11-13 (E.D. Ky. Aug. 13, 2008) (finding § 1338 jurisdiction where alleged malpractice in patent litigation required a case-within-a-case analysis of infringement) *and Taylor v.*

Dist. LEXIS 114220 (E.D. Mo. Oct. 27, 2010) (rejecting § 1338 jurisdiction in prosecution malpractice case where plaintiff alleged that missed deadlines and misrepresentations led to abandonment of patent application); *E-Pass Techs., Inc. v. Moses & Singer, LLP*, 189 Cal. App. 4th 1140 (Cal. App. 1st Dist. 2010) (rejecting § 1338 jurisdiction in patent litigation malpractice case where plaintiff alleged defendant's negligence caused plaintiff to bring patent infringement actions that were not viable). *See* Pet. 22-23 nn.10-11 for a list of prior cases.

Kochanowski, No. 07-11867, 2008 U.S. Dist. LEXIS 20430 at *5, 8 (E.D. Mich. 2008) (rejecting § 1338 jurisdiction despite the fact that alleged malpractice in patent litigation required a case-within-a-case analysis of infringement). This conflict—and the resulting uncertainty—will likely continue until the Supreme Court weighs in on the issue.

This case is a timely and appropriate vehicle for the Court to eliminate the current uncertainty among the state and federal courts. Because this case is predicated on common types of malpractice asserted against patent lawyers—failures to timely file and to disclose—the Court's consideration will lead to clear jurisdictional rules that will be easily applied by courts in the majority of cases in the future. *See Hertz Corp. v. Friend*, 130 S. Ct. 1181, 1193 (U.S. 2010) ("[C]ourts benefit from straightforward rules under which they can readily assure themselves of their power to hear a case").

II. Respondent confuses the fact-bound nature of the underlying malpractice case with the bright-line jurisdictional rule applied by the court below.

Respondents vigorously assert that review of this case should be denied because factual determinations play a role in assessing jurisdiction under 48 U.S.C. § 1338. This argument ignores the bright-line nature of the Federal Circuit's rule at issue in this case.

While *Grable & Sons Metal Products Inc. v. Darue Engineering & Manufacturing* held that it takes more than a federal element to open the "arising under" door, the Federal Circuit has effectively held that it takes no

more than a federal patent element to open that door. 545 U.S. 308, 313 (2005). The Federal Circuit's rule, as followed by the California court, requires only two determinations. First, does the state's malpractice law require demonstration that "but for" the attorney's alleged malpractice the plaintiff would have been successful in either the underlying suit or a hypothetical suit—i.e. does state law require a case-within-a-case? *See* Pet. App. 15a-16a; *Warrior Sports, Inc. v. Dickinson Wright, P.L.L.C.*, No. 2010-1091, 2011 U.S. App. LEXIS 521 at *10-11 (Fed. Cir. January 11, 2011); *Air Measurement*, 504 F.3d at 1269. Second, based on the plaintiff's pleadings, does proof of success in the underlying or hypothetical suit necessarily require analysis of patent infringement or claim construction for at least one of plaintiff's malpractice claims? *See* Pet. App. 16a-17a, 19a (patent infringement); *Warrior Sports*, 2011 U.S. App. LEXIS 521 at *12 (patent infringement); *Immunocept*, 504 F.3d at 1285-86 (claim construction). The question presented is whether application of the Federal Circuit's rule—*without* consideration of other facts—is true to the requirements of *Grable* and *Christianson v. Colt Industrial Operating Corporation*, 486 U.S. 800 (1988).

Far from undermining this Petition, Respondents' argument demonstrates the Petition's merit and the Federal Circuit's error in applying *Grable*. In *Empire HealthChoice Assurance Inc. v. McVeigh*, this Court analyzed whether a state–law claim fit within the "special and small category" of arising under jurisdiction. 547 U.S. 677, 699 (2006). This Court rejected federal jurisdiction, distinguishing *Grable* because the underlying claim was "fact-bound and situation specific" without significant

precedential[10] effect as distinguished from *Grable's* "nearly 'pure issue of law'" that would govern numerous tax sale cases. *Id.* at 700-01. No language could better describe a state-law claim of malpractice against an attorney than fact-bound and situation specific. And no court finding jurisdiction over a malpractice claim has even attempted to explain how a hypothetical case-within-a-case tried by a state court would bind numerous future federal patent law cases.[11]

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10. Respondents correctly assert that the determinations in a malpractice case can "dictate or at least strongly inform the rights of the parties" to the case. Resp. 19-20 n.5. However, that merely restates the goal in bringing any suit and is not the type of precedential effect on other cases and other parties that *Empire HealthChoice* found to distinguish *Grable*. 547 U.S. at 700-701.

11. Many courts rejecting § 1338 jurisdiction in malpractice cases do reach this issue and note that a state-law malpractice claim will not bind future courts or other parties. *See, e.g.*, *ARC Prods., L.L.C. v. Kelly*, No. 4:10-CV-1248 (CEJ), 2010 U.S. Dist. LEXIS 114220 at *6-7 (E.D. Mo. Oct. 27, 2010) ("A determination of the patentability of an invention in the context of a legal malpractice action does not have the same effect of such a determination made in the context of an infringement action. Thus, resolution of such issues as prior art or novelty of the invention in a case like this would not be controlling in other (patent) cases."); *Genelink*, 722 F. Supp. 2d at 600 (holding that the case-within-a-case "inquiry will essentially be the contemplation of a hypothetical situation, with no precedential effect"); *Danner, Inc. v. Foley & Lardner, LLP*, No. CV 09-1220-JE, 2010 U.S. Dist. LEXIS 63537 at *13-14 (D. Or. Mar 15, 2010) (citing *Empire HealthChoice*, 547 U.S. at 700, and holding that "the decisions that a trier of fact will be required to make in the present action will be fact specific as to this action, and will not implicate important issues of federal law that will be of significance in other cases"); *Roof Tech.*, 679 F. Supp. 2d at 753-54 ("[E]ven if the court must decide patent law issues, those decisions will not create or destroy any patent rights such

CONCLUSION

The Petition for a writ of certiorari should be granted.

Respectfully submitted.

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that uniformity in the way patents are issued or enforced will be threatened."); *Minton*, 301 S.W.3d at 709 ("[T]he issue of whether there was evidence of experimental use of the technology at issue is predominantly one of fact, with little or no precedential value.").